

# 2Q17

Financial Results  
as of June 30, 2017

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GFNORTE



OTC **QX**

GBOOY



XNOR

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## I. Summary

### GFNorte reports Net Income of Ps 11.2 billion in 1H17, up 23% from same period last year

(BMV: GFNORTEO; OTCQX: GBOOY; Latibex: XNOR)

Grupo Financiero Banorte, S.A.B. de C.V. reported results for the period ended June 30<sup>th</sup>, 2017. The main highlights include:

- The **second quarter of 2017 with Net Income of Ps 5.68 billion** shows a **sequential growth of +3%**. Key indicators continue to achieve improved quarterly performance: **loan growth +4%**; **NPL ratio stable at 1.8%**; **ROE increased to 16.4%** from 15.7%; **ROA to 1.81%** from 1.76% and **Efficiency Ratio improved to 41.9%** from 44.5%.
- In the **first half of the year**, **GFNorte's Net Income stood at Ps 11.21 billion**, composed of robust YoY growth across subsidiaries: **Bank +36%**, **Brokerage +26%**, **Pensions Fund +8%**, **Insurance +7 %** and **Annuities +34%**.
- Key ratios and YoY changes are worth noting in 1H17: **MIN increases to 5.4%** from 4.8%, **NPL ratio to 1.8%** from 2.3%, **Coverage Ratio to 149%** from 119%, **Efficiency Ratio improved by 2.1pp to 43.2%**, **ROE increased +264bp to 16.1%** from 13.5% and **ROA increased +26bp to 1.78%**
- Net Interest Income (**NII**) in **1H17** increased **+20%** while **provisions** increased **+9%** versus the same period in 2016.
- **Net Fees** increased **+15%** YoY, driven by a higher number of transactions and electronic banking services. **Trading Income** grew annually **+41%**. In summary, we obtained a **record high in Operating Income** of Ps 15.04 billion pesos in 1H17, **+31% higher than the same period of the previous year**.
- **Performing Loans** increased **+13% YoY**, due to a strong quarter in each of its components: **consumer portfolio** grew **+20%** vs. 1Q16; **commercial portfolio +15%** YoY; **corporate +17%**; **government** rose **+2%** in the quarter but decreased **(1%) annually**. On the other hand, Non-Performing Loans grew +5% in the quarter; however, decreased (14%) YoY.
- **Total Deposits** increased **+11%** in the year: **Demand Deposits +9%** and **Time Deposits +15%**.
- **Capital ratios remain solid, at 15.1%** while leverage ratio maintained at 7.48%.

| Income Statement Highlights - GFNorte<br>(Million Pesos) | 2Q16         | 1Q17         | 2Q17          | Change    |            | 1H16         | 1H17          | Change<br>1H16 |
|----------------------------------------------------------|--------------|--------------|---------------|-----------|------------|--------------|---------------|----------------|
|                                                          |              |              |               | 1Q17      | 2Q16       |              |               |                |
| Net Interest Income                                      | 12,404       | 15,555       | <b>15,289</b> | (2%)      | 23%        | 25,763       | <b>30,844</b> | 20%            |
| Fees on Services                                         | 2,670        | 2,571        | <b>2,985</b>  | 16%       | 12%        | 4,840        | <b>5,556</b>  | 15%            |
| Trading                                                  | 761          | 737          | <b>961</b>    | 30%       | 26%        | 1,205        | <b>1,698</b>  | 41%            |
| Other Operating Income (Expenses)                        | 914          | 619          | <b>653</b>    | 6%        | (29%)      | 1,520        | <b>1,272</b>  | (16%)          |
| Non Interest Income                                      | 4,345        | 3,927        | <b>4,599</b>  | 17%       | 6%         | 7,565        | <b>8,526</b>  | 13%            |
| Total Income                                             | 16,749       | 19,482       | <b>19,889</b> | 2%        | 19%        | 33,328       | <b>39,370</b> | 18%            |
| Non Interest Expense                                     | 7,334        | 8,665        | <b>8,337</b>  | (4%)      | 14%        | 15,086       | <b>17,002</b> | 13%            |
| Provisions                                               | 3,515        | 3,268        | <b>4,058</b>  | 24%       | 15%        | 6,747        | <b>7,326</b>  | 9%             |
| Operating Income                                         | 5,900        | 7,549        | <b>7,494</b>  | (1%)      | 27%        | 11,495       | <b>15,042</b> | 31%            |
| Taxes                                                    | 1,590        | 2,279        | <b>2,074</b>  | (9%)      | 30%        | 3,055        | <b>4,354</b>  | 43%            |
| Subsidiaries & Minority Interest                         | 244          | 184          | <b>255</b>    | 39%       | 5%         | 517          | <b>439</b>    | (15%)          |
| Discontinued Operations                                  | 72           | 74           | <b>6</b>      | (92%)     | (92%)      | 131          | <b>79</b>     | (39%)          |
| <b>Net Income</b>                                        | <b>4,626</b> | <b>5,527</b> | <b>5,680</b>  | <b>3%</b> | <b>23%</b> | <b>9,088</b> | <b>11,207</b> | <b>23%</b>     |

| Balance Sheet Highlights - GFNorte<br>(Million Pesos) | 2Q16      | 1Q17      | 2Q17             | Change |       |
|-------------------------------------------------------|-----------|-----------|------------------|--------|-------|
|                                                       |           |           |                  | 1Q17   | 2Q16  |
| Asset Under Management                                | 2,229,180 | 2,293,278 | <b>2,352,407</b> | 3%     | 6%    |
| Performing Loans (a)                                  | 525,884   | 569,147   | <b>593,997</b>   | 4%     | 13%   |
| Past Due Loans (b)                                    | 12,624    | 10,284    | <b>10,818</b>    | 5%     | (14%) |
| Total Loans (a+b)                                     | 538,508   | 579,432   | <b>604,815</b>   | 4%     | 12%   |
| Total Loans Net (d)                                   | 523,463   | 565,197   | <b>588,696</b>   | 4%     | 12%   |
| Acquired Collection Rights (e)                        | 1,946     | 2,082     | <b>1,986</b>     | (5%)   | 2%    |
| Total Credit Portfolio (d+e)                          | 525,409   | 567,279   | <b>590,682</b>   | 4%     | 12%   |
| Total Assets                                          | 1,211,186 | 1,245,334 | <b>1,265,675</b> | 2%     | 4%    |
| Total Deposits                                        | 553,820   | 576,800   | <b>613,142</b>   | 6%     | 11%   |
| Total Liabilities                                     | 1,073,110 | 1,101,552 | <b>1,129,036</b> | 2%     | 5%    |
| Equity                                                | 138,076   | 143,782   | <b>136,639</b>   | (5%)   | (1%)  |

| Financial Ratios GFNorte                  | 2Q16   | 1Q17   | 2Q17          | 1H16   | 1H17          |
|-------------------------------------------|--------|--------|---------------|--------|---------------|
| <b>Profitability:</b>                     |        |        |               |        |               |
| NIM (1)                                   | 4.6%   | 5.5%   | <b>5.4%</b>   | 4.8%   | <b>5.4%</b>   |
| ROE (2)                                   | 13.8%  | 15.7%  | <b>16.4%</b>  | 13.5%  | <b>16.1%</b>  |
| ROA (3)                                   | 1.55%  | 1.76%  | <b>1.8%</b>   | 1.52%  | <b>1.8%</b>   |
| <b>Operation:</b>                         |        |        |               |        |               |
| Efficiency Ratio (4)                      | 43.8%  | 44.5%  | <b>41.9%</b>  | 45.3%  | <b>43.2%</b>  |
| Operating Efficiency Ratio (5)            | 2.4%   | 2.8%   | <b>2.7%</b>   | 2.5%   | <b>2.7%</b>   |
| CCL for Banorte and SOFOM - Basel III (6) | 118.5% | 93.2%  | <b>91.5%</b>  | 118.5% | <b>91.5%</b>  |
| <b>Asset Quality:</b>                     |        |        |               |        |               |
| Past Due Loan Ratio                       | 2.3%   | 1.8%   | <b>1.8%</b>   | 2.3%   | <b>1.8%</b>   |
| Coverage Ratio                            | 119.2% | 138.4% | <b>149.0%</b> | 119.2% | <b>149.0%</b> |
| Cost of Risk                              | 2.7%   | 2.3%   | <b>2.8%</b>   | 2.6%   | <b>2.5%</b>   |
| <b>Market References</b>                  |        |        |               |        |               |
| Banxico Reference Rate                    | 4.25%  | 6.50%  | <b>7.00%</b>  | 4.25%  | <b>7.00%</b>  |
| TIIE 28 days (Average)                    | 4.08%  | 6.40%  | <b>7.02%</b>  | 3.94%  | <b>6.71%</b>  |
| Exchange Rate Peso/Dolar                  | 18.46  | 18.80  | <b>18.06</b>  | 17.85  | <b>18.43</b>  |

- 1) NIM= Annualized Net Interest Income / Average Earnings Assets.
- 2) Annualized earnings as a percentage of the average quarterly equity over the period, minus minority interest of the same period.
- 3) Annualized earnings as a percentage of the average quarterly assets over the period, minus minority interest of the same period.
- 4) Non-Interest Expense / Total Income
- 5) Annualized Non-Interest Expense / Average Total Assets.
- 6) CCL calculation is preliminary and will be updated once Banco de Mexico publishes official indicators.

The financial information presented in this report has been calculated in pesos and the tables are in million pesos, thus, differences are the result of rounding effects.

| Subsidiaries Net Income<br>(Million Pesos) | 2Q16         | 1Q17         | 2Q17         | Change    |            | 1H16         | 1H17          | Change<br>1H16 |
|--------------------------------------------|--------------|--------------|--------------|-----------|------------|--------------|---------------|----------------|
|                                            |              |              |              | 1Q17      | 2Q16       |              |               |                |
| Banco Mercantil del Norte                  | 3,283        | 4,229        | <b>4,116</b> | (3%)      | 25%        | 6,129        | <b>8,345</b>  | 36%            |
| Banorte- Ixe-Broker Dealer                 | 163          | 231          | <b>167</b>   | (28%)     | 2%         | 316          | <b>398</b>    | 26%            |
| Operadora de Fondos Banorte-Ixe            | 58           | 56           | <b>68</b>    | 21%       | 16%        | 114          | <b>124</b>    | 9%             |
| Retirement Funds - Afore XXI Banorte       | 305          | 362          | <b>310</b>   | (14%)     | 2%         | 623          | <b>673</b>    | 8%             |
| Insurance                                  | 547          | 885          | <b>674</b>   | (24%)     | 23%        | 1,462        | <b>1,560</b>  | 7%             |
| Annuities                                  | 149          | 174          | <b>190</b>   | 9%        | 28%        | 271          | <b>364</b>    | 34%            |
| Leasing and Factoring                      | 153          | 182          | <b>178</b>   | (2%)      | 17%        | 310          | <b>360</b>    | 16%            |
| Warehousing                                | 7            | 7            | <b>14</b>    | 89%       | 96%        | 14           | <b>21</b>     | 51%            |
| Sólida Administradora de Portafolios       | (32)         | (630)        | <b>(103)</b> | 84%       | (225%)     | (256)        | <b>(733)</b>  | 187%           |
| Ixe Servicios                              | 1            | (1)          | <b>(0)</b>   | 34%       | NA         | 1            | <b>(1)</b>    | NA             |
| G. F. Banorte (Holding)                    | (6)          | 31           | <b>66</b>    | 112%      | NA         | 103          | <b>96</b>     | (7%)           |
| <b>Total Net Income</b>                    | <b>4,626</b> | <b>5,527</b> | <b>5,680</b> | <b>3%</b> | <b>23%</b> | <b>9,088</b> | <b>11,207</b> | <b>23%</b>     |

| Share Data                              | 2Q16    | 1Q17    | 2Q17           | Change |      | 1H16    | 1H17           | Change<br>1H16 |
|-----------------------------------------|---------|---------|----------------|--------|------|---------|----------------|----------------|
|                                         |         |         |                | 1Q17   | 2Q16 |         |                |                |
| Earnings per share (Pesos)              | 1.668   | 1.993   | <b>2.048</b>   | 3%     | 23%  | 3.276   | <b>4.041</b>   | 23%            |
| Earnings per share Basic (Pesos)        | 1.680   | 2.008   | <b>2.068</b>   | 3%     | 23%  | 3.300   | <b>4.077</b>   | 24%            |
| Dividend per Share (Pesos) (1)          | 0.46    | 1.23    | <b>4.05</b>    | 228%   | 784% | 0.92    | <b>5.28</b>    | 477%           |
| Dividend Payout (Recurring Net Income)  | 33.3%   | 40.0%   | <b>40.0%</b>   | 0%     | 20%  | 33.3%   | <b>40.0%</b>   | 20%            |
| Book Value per Share (Pesos)            | 49.08   | 51.12   | <b>48.59</b>   | (5%)   | (1%) | 49.08   | <b>48.59</b>   | (1%)           |
| Issued Shares (Million)                 | 2,773.7 | 2,773.7 | <b>2,773.7</b> | 0%     | 0%   | 2,773.7 | <b>2,773.7</b> | 0%             |
| Stock Price (Pesos)                     | 102.52  | 107.66  | <b>115.39</b>  | 7%     | 13%  | 102.52  | <b>115.39</b>  | 13%            |
| P/BV (Times)                            | 2.09    | 2.11    | <b>2.37</b>    | 13%    | 14%  | 2.09    | <b>2.37</b>    | 14%            |
| Market Capitalization (Million Dollars) | 15,400  | 15,888  | <b>17,720</b>  | 12%    | 15%  | 15,400  | <b>17,720</b>  | 15%            |
| Market Capitalization (Million Pesos)   | 284,363 | 298,620 | <b>320,061</b> | 7%     | 13%  | 284,363 | <b>320,061</b> | 13%            |

1) Excluding Minority Interest.

### Stock Performance



## II. Management's Discussion & Analysis

*As in 1Q17 was done and derived from the sale of Inter National Bank finalized on March 31<sup>st</sup>, 2017, the consolidation of INB's quarterly and accumulated figures in Banorte's Balance and Sheet and Income Statement were fully reversed for 2016. Hence, the consolidated figures and ratios of GFNorte and Banorte presented in this report differ from those published in the Quarterly Releases of 1Q, 2Q, 3Q and 4Q of 2016, as these have been modified retroactively to be comparable and to reflect the INB deconsolidation.*

### Grupo Financiero Banorte

#### Net Interest Income

| Net Interest Income (NII)                         | 2Q16          | 1Q17           | 2Q17          | Change       |            | 1H16          | 1H17          | Change     |
|---------------------------------------------------|---------------|----------------|---------------|--------------|------------|---------------|---------------|------------|
| (Million Pesos)                                   |               |                |               | 1Q17         | 2Q16       |               |               | 1H16       |
| Interest Income                                   | 17,418        | 23,221         | 24,615        | 6%           | 41%        | 34,198        | 47,836        | 40%        |
| Interest Expense                                  | 6,244         | 9,778          | 10,985        | 12%          | 76%        | 12,211        | 20,763        | 70%        |
| Loan Origination Fees                             | 294           | 282            | 295           | 4%           | 0%         | 601           | 577           | (4%)       |
| Fees Paid                                         | 112           | 144            | 167           | 16%          | 49%        | 214           | 311           | 46%        |
| <b>NII excluding Insurance and Annuities Co.</b>  | <b>11,356</b> | <b>13,581</b>  | <b>13,758</b> | <b>1%</b>    | <b>21%</b> | <b>22,375</b> | <b>27,339</b> | <b>22%</b> |
| Premium Income (Net)                              | 4,512         | 7,784          | 6,507         | (16%)        | 44%        | 12,253        | 14,291        | 17%        |
| Technical Reserves                                | 675           | 5,544          | 2,654         | (52%)        | N.A.       | 4,828         | 8,198         | 70%        |
| Damages, Claims and Other Obligations             | 3,252         | 3,306          | 3,645         | 10%          | 12%        | 6,134         | 6,951         | 13%        |
| <b>Technical Results</b>                          | <b>585</b>    | <b>(1,065)</b> | <b>208</b>    | N.A.         | (65%)      | <b>1,290</b>  | <b>(858)</b>  | N.A.       |
| Interest Income (Expenses) net                    | 462           | 3,038          | 1,324         | (56%)        | N.A.       | 2,098         | 4,363         | 108%       |
| <b>Insurance and Annuities NII</b>                | <b>1,048</b>  | <b>1,973</b>   | <b>1,532</b>  | <b>(22%)</b> | <b>46%</b> | <b>3,388</b>  | <b>3,505</b>  | <b>3%</b>  |
| <b>GFNORTE's NII</b>                              | <b>12,404</b> | <b>15,555</b>  | <b>15,289</b> | <b>(2%)</b>  | <b>23%</b> | <b>25,763</b> | <b>30,844</b> | <b>20%</b> |
| Credit Provisions                                 | 3,515         | 3,268          | 4,058         | 24%          | 15%        | 6,747         | 7,326         | 9%         |
| <b>NII Adjusted for Credit Risk</b>               | <b>8,889</b>  | <b>12,287</b>  | <b>11,231</b> | <b>(9%)</b>  | <b>26%</b> | <b>19,016</b> | <b>23,518</b> | <b>24%</b> |
| Average Earning Assets                            | 1,076,513     | 1,126,094      | 1,132,946     | 1%           | 5%         | 1,080,076     | 1,133,081     | 5%         |
| <b>Net Interest Margin (1)</b>                    | <b>4.6%</b>   | <b>5.5%</b>    | <b>5.4%</b>   |              |            | <b>4.8%</b>   | <b>5.4%</b>   |            |
| <b>NIM after Provisions (2)</b>                   | <b>3.3%</b>   | <b>4.4%</b>    | <b>4.0%</b>   |              |            | <b>3.5%</b>   | <b>4.2%</b>   |            |
| <b>NIM adjusted w/o Insurance &amp; Annuities</b> | <b>4.6%</b>   | <b>5.3%</b>    | <b>5.3%</b>   |              |            | <b>4.5%</b>   | <b>5.3%</b>   |            |
| <b>NIM from loan portfolio (3)</b>                | <b>8.0%</b>   | <b>8.4%</b>    | <b>8.5%</b>   |              |            | <b>7.9%</b>   | <b>8.4%</b>   |            |

1) NIM = Annualized Net Interest Income / Average Interest Earnings Assets.

2) NIM= Annualized Net Interest Income adjusted by Loan Loss Provisions / Average Interest Earnings Assets.

3) NIM = Annualized Net Interest Income from loans / Average Performing Loans

Net Interest Income (NII) excluding Insurance and Annuities: amounted to **Ps 27.34 billion** in the first semester of 2017, +22% higher vs. 1H16, benefited from the balance sheet re-pricing on the progressive interest rate hikes of +400bp that Banxico has carried out since December 2015 which reflect on:

- a +21% YoY increase in NII from loans and deposits; and
- a +64% annual growth in NII from investments in securities and repos

**In 2Q17 Net Interest Income (NII) excluding Insurance and Annuities totaled Ps 13.76 billion**, Ps 176 million or +1% higher vs. 1Q17; Interest Expenses rose +12% QoQ as result of the increases in the benchmark rate in May and June, while Interest Income increased +6% during the period.

Insurance and Annuities NII: In 1H17 totaled **Ps 3.51 billion**, +3% higher vs. the same period a year ago. It is worth noting the one-time effect of Ps 565 million included in 1H16's NII of the insurance company related to the accounting changes implemented in 2016 from the Solvency II regulation. Eliminating this effect, adjusted NII grew 24% annually.

Moreover, in 2Q17 Insurance and Annuities NII were **Ps 1.53 billion**, (22%) below QoQ, mainly on lower volume of retained premiums from the insurance company, considering that in the first quarter of the year premiums are seasonally higher. The UDI (investment units) valuation result registered at Pensiones Banorte was Ps 278 million in 2Q17, in contrast to Ps 2.05 billion registered in 1Q17.

Technical Results: in the first half of 2017 amounted to **(Ps 858) million**, unfavorably compared YoY, given a +70% increase in Technical Reserves due to a high volume of premiums and a +13% growth in Damages & Claims.

**In 2Q17 the Technical Results** improved to reach **Ps 208 million**, benefited by the reduction in Technical Reserves at the Annuities Company (40%) and Seguros Banorte (76%), which reflects the normalization of seasonal factors that affected the first quarter and also because of a lower inflation factor.

*According to new regulation Premium Income and Technical Reserves of life policies are fully accounted when originated, as opposed to the former rule in which Premium Income and Costs were registered following the payment calendar of the policies. This change resulted in a distortion in 1Q16 results because of the increase in Premiums and Reserves.*

**In 1H17 GFNorte's Net Interest Income (NII) amounted to Ps 30.84 billion**, increasing +20% YoY on better performance in practically all lines, **while in 2Q17 it totaled Ps 15.29 billion**, which is (2%) lower sequentially mainly from a temporary lower result in NII from the investment book, as well as a lower inflation factor at Pensiones Banorte.

**The Net Interest Margin (NIM) both in 1H17 and 2Q17 stood at 5.4%**, up +67bp vs. the accumulated of 2016 and (13bp) below 1Q17, respectively. The NIM expansion reflects a better mix in the loan book, controlled funding costs and the benefit of rising market rates on the re-pricing of the balance. The minor QoQ contraction is explained mainly by lower premium income in Seguros Banorte and to a lesser extent by lower net interest income on the investment book.

### **Loan Loss Provisions**

**During 1H17 Loan Loss Provisions totaled Ps 7.33 billion**, +9% higher vs. the same period a year ago. LLP increased +24% sequentially to reach **Ps 4.06 billion in 2Q17**.

The annual increase vs. 1H16 is explained by higher requirements in the portfolios with the most dynamic growth (credit card and payroll); though, it is worth noting the reduction of provisions related to wholesale banking (commercial and corporate). Furthermore, the sequential rise came from a Ps 400 million requirement in the wholesale portfolios and, in lesser extent, from monthly requirements in the consumer books.

**Provisions represented 23.8% of Net Interest Income in the first half of 2017**, decreasing by (2.4 pp) on a yearly basis **and in 2Q17 stood at 26.5%**, up +5.5 pp QoQ.

Additionally, **Provisions in 1H17 accounted for 2.5% of the average loan portfolio**, while **in 2Q17 represented 2.8%**, rising +5bp vs. 1H16 and +49bp sequentially.

## Non-Interest Income

| Non-Interest Income<br>(Million Pesos) | 2Q16         | 1Q17         | 2Q17         | Change |       | 1H16         | 1H17         | Change<br>1H16 |
|----------------------------------------|--------------|--------------|--------------|--------|-------|--------------|--------------|----------------|
|                                        |              |              |              | 1Q17   | 2Q16  |              |              |                |
| Fees on Services                       | 2,670        | 2,571        | <b>2,985</b> | 16%    | 12%   | 4,840        | <b>5,556</b> | 15%            |
| Trading                                | 761          | 737          | <b>961</b>   | 30%    | 26%   | 1,205        | <b>1,698</b> | 41%            |
| Other Operating Income (Expenses)      | 914          | 619          | <b>653</b>   | 6%     | (29%) | 1,520        | <b>1,272</b> | (16%)          |
| <b>Non-Interest Income</b>             | <b>4,345</b> | <b>3,927</b> | <b>4,599</b> | 17%    | 6%    | <b>7,565</b> | <b>8,526</b> | 13%            |

**Non-Interest Income totaled Ps 8.53 billion in 1H17, +13% vs. a year ago; while in 2Q17 amounted to Ps 4.60 billion, +17% up QoQ.** Service Fees explained almost two thirds of the positive performance of Non-Interest Income, both in the accumulated and quarterly comparisons. Trading income was also strong.

### Service Fees

| Service Fees<br>(Million Pesos)     | 2Q16         | 1Q17         | 2Q17         | Change |       | 1H16         | 1H17         | Change<br>1H16 |
|-------------------------------------|--------------|--------------|--------------|--------|-------|--------------|--------------|----------------|
|                                     |              |              |              | 1Q17   | 2Q16  |              |              |                |
| Fund Transfers                      | 313          | 368          | <b>390</b>   | 6%     | 25%   | 586          | <b>758</b>   | 29%            |
| Account Management Fees             | 504          | 596          | <b>624</b>   | 5%     | 24%   | 973          | <b>1,220</b> | 25%            |
| Electronic Banking Services         | 1,394        | 1,639        | <b>1,709</b> | 4%     | 23%   | 2,735        | <b>3,348</b> | 22%            |
| Basic Banking Services Fees         | 2,211        | 2,604        | <b>2,723</b> | 5%     | 23%   | 4,294        | <b>5,326</b> | 24%            |
| For Commercial and Mortgage Loans * | 181          | 94           | <b>198</b>   | 111%   | 9%    | 372          | <b>291</b>   | (22%)          |
| For Consumer Loans                  | 786          | 999          | <b>1,055</b> | 6%     | 34%   | 1,617        | <b>2,054</b> | 27%            |
| Fiduciary                           | 86           | 92           | <b>101</b>   | 10%    | 17%   | 167          | <b>193</b>   | 16%            |
| Income from Real Estate Portfolios  | 19           | 7            | <b>17</b>    | N.A.   | (8%)  | 52           | <b>24</b>    | (53%)          |
| Mutual Funds                        | 287          | 282          | <b>329</b>   | 17%    | 14%   | 564          | <b>611</b>   | 8%             |
| Other Fees Charged (1) *            | 242          | 264          | <b>205</b>   | (22%)  | (15%) | 441          | <b>469</b>   | 6%             |
| <b>Fees Charged on Services</b>     | <b>3,919</b> | <b>4,455</b> | <b>4,795</b> | 8%     | 22%   | <b>7,757</b> | <b>9,250</b> | 19%            |
| Interchange Fees                    | 602          | 722          | <b>762</b>   | 6%     | 27%   | 1,186        | <b>1,484</b> | 25%            |
| Insurance Fees                      | 107          | 379          | <b>269</b>   | (29%)  | 151%  | 732          | <b>648</b>   | (11%)          |
| Other Fees Paid                     | 540          | 783          | <b>779</b>   | (1%)   | 44%   | 999          | <b>1,562</b> | 56%            |
| <b>Fees Paid on Services</b>        | <b>1,249</b> | <b>1,884</b> | <b>1,810</b> | (4%)   | 45%   | <b>2,917</b> | <b>3,694</b> | 27%            |
| <b>Service Fees</b>                 | <b>2,670</b> | <b>2,571</b> | <b>2,985</b> | 16%    | 12%   | <b>4,840</b> | <b>5,556</b> | 15%            |

1) Includes fees from letters of credit, transactions with pension funds, warehousing services, financial advisory services and securities trading among others.

\* Numbers for 2016 were reclassified to Other Fees Charged from Fees for Commercial and Mortgage Loans.

**In 1H17 Service Fees totaled Ps 5.56 billion, +15% higher vs. on a yearly basis:**

- driven by a significant +24% increase in Core Banking Services fees supported by larger transaction volume and +27% higher fees related to Consumer Loans on the back of strong loan origination,
- in contrast, the increase in Fees Charged comes from loan placements, debt issuance and the interchange fee.

**In 2Q17 Service Fees were Ps 2.99 billion, up +16% QoQ.** It is worth mentioning that this revenue line recovered from the (16%) sequential seasonal decline in 1Q17, as result of:

- +Ps 119 million increase in Core Banking Services, derived mainly from larger transaction volume in mainly electronic banking channels,
- +Ps 164 million rise in fees related to Consumer, Commercial and Mortgage loans,
- +45% up in Fees from Financial Advisory Services and +17% in Mutual Funds, and
- (4%) reduction in Fees Paid, mainly due to the (Ps 110) decrease in the acquisition costs of Seguros Banorte, which is related to the change in the insurance portfolio mix, which today carries a lower proportion of reinsurance.

## Trading

| Trading Income<br>(Million Pesos) | 2Q16       | 1Q17         | 2Q17        | Change      |               | 1H16         | 1H17         | Change<br>1H16 |
|-----------------------------------|------------|--------------|-------------|-------------|---------------|--------------|--------------|----------------|
|                                   |            |              |             | 1Q17        | 2Q16          |              |              |                |
| Currency and Metals               | 31         | (151)        | (15)        | 90%         | N.A.          | 39           | (166)        | N.A.           |
| Derivatives                       | (32)       | (195)        | (56)        | 71%         | 72%           | (141)        | (251)        | 78%            |
| Negotiable Instruments            | 329        | 27           | 56          | N.A.        | (83%)         | 529          | 82           | (84%)          |
| <b>Valuation</b>                  | <b>328</b> | <b>(319)</b> | <b>(15)</b> | <b>95%</b>  | <b>(105%)</b> | <b>426</b>   | <b>(335)</b> | <b>(178%)</b>  |
| Currency and Metals               | 366        | 520          | 523         | 1%          | 43%           | 620          | 1,043        | 68%            |
| Derivatives                       | (93)       | 281          | 73          | (74%)       | N.A.          | (90)         | 354          | N.A.           |
| Negotiable Instruments            | 161        | 255          | 381         | 49%         | 137%          | 249          | 636          | N.A.           |
| <b>Trading</b>                    | <b>433</b> | <b>1,056</b> | <b>977</b>  | <b>(8%)</b> | <b>126%</b>   | <b>779</b>   | <b>2,033</b> | <b>N.A.</b>    |
| <b>Trading Income</b>             | <b>761</b> | <b>737</b>   | <b>961</b>  | <b>30%</b>  | <b>26%</b>    | <b>1,205</b> | <b>1,698</b> | <b>41%</b>     |

During 1H17 Trading Income rose +41% reaching Ps 1.69 billion. Positive trading results in FX and fixed income largely offset minor mark-to-market losses.

Trading income was Ps 961 million in 2Q17, +30% up vs. 1Q17, as result of the positive performance in all the lines, except for Derivative Trading, lower than the Ps 281 million registered in 1Q17.

## Other Operating Income (Expenses)

| Other Operating Income (Expenses)<br>(Million Pesos) | 2Q16       | 1Q17       | 2Q17       | Change    |              | 1H16         | 1H17         | Change<br>1H16 |
|------------------------------------------------------|------------|------------|------------|-----------|--------------|--------------|--------------|----------------|
|                                                      |            |            |            | 1Q17      | 2Q16         |              |              |                |
| Loan Recovery                                        | 366        | 413        | 462        | 12%       | 26%          | 713          | 874          | 23%            |
| Loan Portfolios                                      | 50         | 42         | 46         | 11%       | (7%)         | 100          | 88           | (12%)          |
| Income from foreclosed assets                        | 69         | 21         | (273)      | N.A.      | N.A.         | 104          | (252)        | N.A.           |
| Provisions Release                                   | 170        | 164        | 86         | (48%)     | (50%)        | 325          | 249          | (23%)          |
| Losses and Estimates                                 | (340)      | (298)      | (422)      | (42%)     | 24%          | (660)        | (720)        | 9%             |
| Impairment of Assets                                 | (60)       | (428)      | (10)       | NA        | (84%)        | (225)        | (437)        | 94%            |
| Lease Income                                         | 69         | 111        | 105        | (5%)      | 54%          | 148          | 216          | 46%            |
| From Insurance                                       | 287        | 234        | 213        | (9%)      | (26%)        | 495          | 446          | (10%)          |
| Others                                               | 305        | 360        | 446        | 24%       | 47%          | 521          | 807          | 55%            |
| <b>Other Operating Income (Expenses)</b>             | <b>914</b> | <b>619</b> | <b>653</b> | <b>6%</b> | <b>(29%)</b> | <b>1,520</b> | <b>1,272</b> | <b>(16%)</b>   |

Other Operating Income (Expenses) stood at Ps 1.27 billion in 1H17, (16%) lower on a yearly basis, explained mainly by i) a (Ps 437) million charge to adjust the value of investment projects and ii) and a loss of (Ps 252) million on provisions made to adjust the value of some foreclosed assets.

In 2Q17 Other Operating Income (Expenses) amounted to Ps 653 million, +6% above the first quarter of the year.

## Non-Interest Expense

| Non-Interest Expense<br>(Million Pesos)               | 2Q16         | 1Q17         | 2Q17         | Change      |            | 1H16          | 1H17          | Change<br>1H16 |
|-------------------------------------------------------|--------------|--------------|--------------|-------------|------------|---------------|---------------|----------------|
|                                                       |              |              |              | 1Q17        | 2Q16       |               |               |                |
| Personnel                                             | 2,983        | 3,512        | 3,285        | (6%)        | 10%        | 6,137         | 6,796         | 11%            |
| Professional Fees                                     | 569          | 567          | 712          | 25%         | 25%        | 1,048         | 1,279         | 22%            |
| Administrative and Promotional                        | 1,645        | 2,022        | 1,954        | (3%)        | 19%        | 3,569         | 3,977         | 11%            |
| Rents, Depreciation & Amortization                    | 1,118        | 1,306        | 1,274        | (2%)        | 14%        | 2,232         | 2,580         | 16%            |
| Taxes other than income tax & non deductible expenses | 347          | 523          | 374          | (28%)       | 8%         | 770           | 898           | 17%            |
| Contributions to IPAB                                 | 575          | 634          | 636          | 0%          | 11%        | 1,138         | 1,270         | 12%            |
| Employee Profit Sharing (PTU)                         | 97           | 101          | 101          | 1%          | 5%         | 193           | 202           | 5%             |
| <b>Non-Interest Expense</b>                           | <b>7,334</b> | <b>8,665</b> | <b>8,337</b> | <b>(4%)</b> | <b>14%</b> | <b>15,086</b> | <b>17,002</b> | <b>13%</b>     |

In 1H17 Non-Interest Expense totaled Ps 17.00 billion, up by +13% vs. the same period a year ago, mainly as result of the following changes:

- +11% in Personnel Expenses related to actuarial requirements in the employee pension plan,
- +14% in Administrative and Promotional Expenses on advances to supplier payments and higher expenses related to increased transaction volume in banking services,
- +16% in Rents, Depreciations and Amortizations due to higher amortizations of IT projects and software maintenance and,
- +22% up in Professional Fees.

In 2Q17, **Non-Interest Expense** decreased (4%) sequentially to reach **Ps 8.34 billion**, derived from the following changes: Personnel Expenses (-Ps 227 million), Other Taxes and Non-deductible Expenses (-Ps 149 million) and Administrative and Promotional Expenses (-Ps 111 million).

The **Efficiency Ratio improved continuously** -both vs. 1H16 and 1Q17-, to **43.1% in 1H17**, (221bp) lower vs. the same period a year ago, due to positive operating leverage; while in **2Q17 it was 41.7%**, (281bp) below QoQ, benefited by the Non-Interest Expense reduction.

## Net Income

| Net Income<br>(Million Pesos) | 2Q16         | 1Q17         | 2Q17         | Change      |            | 1H16          | 1H17          |
|-------------------------------|--------------|--------------|--------------|-------------|------------|---------------|---------------|
|                               |              |              |              | 1Q17        | 2Q16       |               |               |
| <b>Operating Income</b>       | <b>5,900</b> | <b>7,549</b> | <b>7,494</b> | <b>(1%)</b> | <b>27%</b> | <b>11,495</b> | <b>15,042</b> |
| Subsidiaries' Net Income      | 309          | 263          | <b>335</b>   | 27%         | 8%         | 636           | <b>598</b>    |
| <b>Pre-Tax Income</b>         | <b>6,209</b> | <b>7,812</b> | <b>7,828</b> | <b>0%</b>   | <b>26%</b> | <b>12,132</b> | <b>15,640</b> |
| Taxes                         | 1,590        | 2,279        | <b>2,074</b> | (9%)        | 30%        | 3,055         | <b>4,354</b>  |
| Discontinued Operations       | 72           | 74           | <b>6</b>     | (92%)       | (92%)      | 131           | <b>79</b>     |
| Minority Interest             | (65)         | (79)         | <b>(80)</b>  | 1%          | 23%        | (120)         | <b>(159)</b>  |
| <b>Net Income</b>             | <b>4,626</b> | <b>5,527</b> | <b>5,680</b> | <b>3%</b>   | <b>23%</b> | <b>9,088</b>  | <b>11,207</b> |

During **1H17 recurring revenues** (NII + Net Fees excluding Portfolio Recoveries - Operating Expenses - Provisions) were **Ps 28.61 billion**, higher by +29% vs. the same period a year ago, driven by a +20% growth in Net Interest Income and +21% higher Net Fees (without recoveries). Recurring revenues in **2Q17 amounted to Ps 14.39 billion**, +Ps 163 million above vs. 1Q17, reflecting an +8% QoQ growth in Net Fees (without recoveries) and a (4%) reduction in Expenses.

In **1H17 Net Income from Subsidiaries stood at Ps 598 million**, (6%) below YoY. This result includes Ps 673 million from Afore XXI Banorte's profits and a (Ps 733 million) loss at Sólida, related to the mark-to-market valuation on some equity holdings. In contrast, in **2Q17 Net Income from Subsidiaries amounted to Ps 335 million**, rising +27% QoQ on Afore's Net Income of Ps 310 million and a smaller loss of (Ps 103 million) at Sólida.

**Taxes totaled Ps 4.35 billion in 1H17**, +43% higher YoY, on both a higher taxable base and a rise in deferred taxes; while in **2Q17 stood at Ps 2.07 billion**, (Ps 205) million or (9%) lower. **The effective tax rate in 1H17 was 27.8%**, +2.7 pp above YoY and in **2Q17 was 26.5%**, favorably compared as it declined (268bp) QoQ.

In 2Q17, Income from Discontinued Operations, which represented INB's profits (and currently Banorte USA's) totaled only Ps 6 million, decreasing by (Ps 68 million) QoQ after the sale of this company on March 31<sup>st</sup>, 2017.

**GFNorte reported Net Income of Ps 11.21 billion in 1H17 (+23% YoY)**, driven by solid growth in: Banorte Bank +36%, Broker Dealer +26%, Afore +8%, Insurance +7% and Annuities +34%. Key ratios and YoY changes are worth noting: **MIN increases to 5.4%** from 4.8%, **NPL ratio to 1.8%** from 2.3%, **Coverage Ratio to 149%** from 119%, **Efficiency Ratio improved** by 2.1pp to **43.2%**, **ROE increased +264bp to 16.1%** from 13.5% and **ROA increased +26bp to 1.78%**.

**In 2Q17 Net Income amounted to Ps 5.68 billion**, +3% QoQ. Key indicators continue to record a better quarterly performance: **loan growth +4%**; **NPL ratio stable at 1.8%**; **ROE increased to 16.4%** from 15.7%; **ROA to 1.81%** from 1.76% and **Efficiency Ratio improved to 41.9%** from 44.5%.

## Profitability

|                                         | 2Q16         | 1Q17         | 2Q17         |
|-----------------------------------------|--------------|--------------|--------------|
| <b>ROE</b>                              | <b>13.8%</b> | <b>15.7%</b> | <b>16.4%</b> |
| Goodwill & Intangibles (billion pesos)  | 23.6         | 25.3         | <b>25.5</b>  |
| Average Tangible Equity (billion pesos) | 108.6        | 115.5        | <b>113.4</b> |
| <b>ROTE</b>                             | <b>16.7%</b> | <b>19.1%</b> | <b>20.1%</b> |

**ROE in 1H17** accelerated its YoY growth by +264bp **to reach 16.1%**, favored by rapid growth in earnings; while **in 2Q17 stood at 16.4%**, +79bp up QoQ, also driven by a (5%) reduction in Equity.

**Return on Tangible Capital (ROTE) was 20.1% in 2Q17**, increasing +348bp YoY and +99bp sequentially.

|                                              | 2Q16        | 1Q17        | 2Q17        |
|----------------------------------------------|-------------|-------------|-------------|
| <b>ROA</b>                                   | <b>1.5%</b> | <b>1.8%</b> | <b>1.8%</b> |
| Average Risk Weighted Assets (billion pesos) | 563.0       | 621.0       | 621.5       |
| <b>RRWA</b>                                  | <b>3.3%</b> | <b>3.3%</b> | <b>3.4%</b> |

**ROA for the first semester of 2017 and 1Q17 was 1.8%**, up by +26bp vs. 1H16 and +5bp above 1Q17. **Return on Risk-Weighted Assets was 3.4%**, +17bp higher QoQ and +19bp YoY, respectively.

## Regulatory Capital (Banco Mercantil del Norte)

| Capitalization<br>(Million Pesos) | 2Q16          | 1Q17          | 2Q17          | Change          |               |
|-----------------------------------|---------------|---------------|---------------|-----------------|---------------|
|                                   |               |               |               | 1Q17            | 2Q16          |
| Core Tier 1                       | 78,994        | 85,080        | 77,392        | (9.0%)          | (2.0%)        |
| Tier 1 Capital                    | 82,824        | 87,336        | 79,559        | (8.9%)          | (3.9%)        |
| Tier 2 Capital                    | 7,331         | 15,808        | 12,221        | (22.7%)         | 66.7%         |
| Net Capital                       | 90,155        | 103,143       | 91,780        | (11.0%)         | 1.8%          |
| Credit Risk Assets                | 442,375       | 479,075       | 503,784       | 5.2%            | 13.9%         |
| Net Capital / Credit Risk Assets  | 20.4%         | 21.5%         | 18.2%         | (3.3 pp)        | (2.2 pp)      |
| Total Risk Assets                 | 606,577       | 622,068       | 608,748       | (2.1%)          | 0.4%          |
| Core Tier 1                       | 13.02%        | 13.68%        | 12.71%        | (1.0 pp)        | (0.3 pp)      |
| Tier 1                            | 13.65%        | 14.04%        | 13.07%        | (1.0 pp)        | (0.6 pp)      |
| Tier 2                            | 1.21%         | 2.54%         | 2.01%         | (0.5 pp)        | 0.8 pp        |
| <b>Capitalization Ratio</b>       | <b>14.86%</b> | <b>16.58%</b> | <b>15.08%</b> | <b>(1.5 pp)</b> | <b>0.2 pp</b> |

(\*) The reported capitalization ratio of the period is submitted to the Central Bank.

Banorte has fully adopted the capitalization requirements established to date by Mexican authorities and international standards, so-called Basel III, which came into effect as of January 2013.

In April 2017, Banorte was confirmed as Level II - Domestic Systemically Important Financial Institution, which implies that Banorte must maintain a capital buffer of 0.90 pp, to be constituted progressively in up to four years, starting on December 2016. Therefore, the **minimum Capitalization Ratio required for Banorte amounts to 10.73% as of June 2017** (corresponding to the regulatory minimum of 10.5% plus the constituent capital supplement to date).

**At the end of 2Q17 the estimated Capitalization Ratio (CR) for Banorte was 15.08%** considering credit, market and operational risk; and, 18.22% if only credit risks are considered.

The Capitalization Ratio increased (1.50 pp) vs. 1Q17, as follows:

|    |                                           |           |
|----|-------------------------------------------|-----------|
| 1. | Profits for 2Q17                          | + 0.69 pp |
| 2. | Change in risk assets                     | + 0.36 pp |
| 3. | Valuation of Financial Instruments        | + 0.05 pp |
| 4. | Other Capital Effects                     | - 0.02 pp |
| 5. | Investment in Subsidiaries ad Intangibles | - 0.05 pp |
| 6. | Change in Reserves' Model                 | - 0.12 pp |
| 7. | Subordinated Notes                        | - 0.60 pp |
| 8. | Dividend                                  | - 1.81 pp |

The Capitalization Ratio increased +0.21 pp vs. 2Q16, as follows:

|    |                                            |           |
|----|--------------------------------------------|-----------|
| 1. | Profit growth for the period               | + 2.69 pp |
| 2. | Subordinated Notes                         | + 0.53 pp |
| 3. | Investment in Subsidiaries and Intangibles | + 0.13 pp |
| 4. | Growth in risk assets                      | - 0.05 pp |
| 5. | Other Capital Effects                      | - 0.07 pp |
| 6. | Valuation of Financial Instruments         | - 0.11 pp |
| 7. | Change in Reserves' Model                  | - 0.12 pp |
| 8. | Dividends of the period                    | - 2.79 pp |

## Leverage Ratio (Banco Mercantil del Norte)

The Leverage Ratio, according to CNBV's regulation, is presented below:

| Leverage<br>(Million Pesos) | 2Q16         | 1Q17         | 2Q17         | Change          |                 |
|-----------------------------|--------------|--------------|--------------|-----------------|-----------------|
|                             |              |              |              | 1Q17            | 2Q16            |
| Tier 1 Capital              | 82,824       | 87,336       | 79,559       | (8.9%)          | (3.9%)          |
| Adjusted Assets             | 967,981      | 1,094,203    | 1,063,240    | (2.8%)          | 9.8%            |
| <b>Leverage Ratio</b>       | <b>8.56%</b> | <b>7.98%</b> | <b>7.48%</b> | <b>(0.5 pp)</b> | <b>(1.1 pp)</b> |

*Adjusted Assets are defined according to the General Provisions applicable to Credit Institutions.*

## Deposits

| Deposits<br>(Million Pesos)          | 2Q16           | 1Q17           | 2Q17           | Change |      |
|--------------------------------------|----------------|----------------|----------------|--------|------|
|                                      |                |                |                | 1Q17   | 2Q16 |
| Non-Interest Bearing Demand Deposits | 177,764        | 214,194        | <b>215,069</b> | 0%     | 21%  |
| Interest Bearing Demand Deposits     | 159,998        | 153,670        | <b>154,225</b> | 0%     | (4%) |
| <b>Total Demand Deposits</b>         | <b>337,762</b> | <b>367,864</b> | <b>369,295</b> | 0%     | 9%   |
| <b>Time Deposits – Retail</b>        | <b>157,641</b> | <b>173,891</b> | <b>181,614</b> | 4%     | 15%  |
| <b>Core Deposits</b>                 | <b>495,403</b> | <b>541,755</b> | <b>550,909</b> | 2%     | 11%  |
| <b>Money Market</b>                  | <b>60,129</b>  | <b>36,437</b>  | <b>63,716</b>  | 75%    | 6%   |
| <b>Total Bank Deposits</b>           | <b>555,532</b> | <b>578,191</b> | <b>614,625</b> | 6%     | 11%  |
| <b>GFNorte's Total Deposits</b>      | <b>553,820</b> | <b>576,800</b> | <b>613,142</b> | 6%     | 11%  |
| <b>Third Party Deposits</b>          | <b>162,454</b> | <b>190,537</b> | <b>151,556</b> | (20%)  | (7%) |
| <b>Total Assets Under Management</b> | <b>717,986</b> | <b>768,728</b> | <b>766,180</b> | (0%)   | 7%   |

\*For comparison purposes 2016 results were adjusted to reflect the INB deconsolidation in 4Q16. Therefore, they will differ from those published in the Quarterly Reports of that year.

**Banorte's Total Deposits amounted to Ps 614.63 billion**, an +11% annual variation, coming from good growth in non-interest bearing demand and time deposits, while the strategy continues maintain funding costs under control. In this period, **client's deposits grew +11% YoY. In the quarter, total deposits increased +Ps 36.43 billion led by an expansion in time deposits. Total Assets under Management grew +7% yearly.**

## Loans

| Performing Loan Portfolio<br>(Million Pesos) | 2Q16           | 1Q17           | 2Q17           | Change |       |
|----------------------------------------------|----------------|----------------|----------------|--------|-------|
|                                              |                |                |                | 1Q17   | 2Q16  |
| Commercial                                   | 112,936        | 123,547        | <b>129,783</b> | 5%     | 15%   |
| Consumer                                     | 185,270        | 211,619        | <b>222,603</b> | 5%     | 20%   |
| Corporate                                    | 91,855         | 102,345        | <b>107,107</b> | 5%     | 17%   |
| Government                                   | 135,717        | 131,551        | <b>134,423</b> | 2%     | (1%)  |
| <b>Sub Total</b>                             | <b>525,778</b> | <b>569,062</b> | <b>593,916</b> | 4%     | 13%   |
| Recovery Bank                                | 106            | 85             | <b>81</b>      | (5%)   | (24%) |
| <b>Total</b>                                 | <b>525,884</b> | <b>569,147</b> | <b>593,997</b> | 4%     | 13%   |

| Performing Consumer Loan Portfolio<br>(Million Pesos) | 2Q16           | 1Q17           | 2Q17           | Change |      |
|-------------------------------------------------------|----------------|----------------|----------------|--------|------|
|                                                       |                |                |                | 1Q17   | 2Q16 |
| Mortgages                                             | 104,629        | 119,227        | <b>124,126</b> | 4%     | 19%  |
| Car Loans                                             | 13,495         | 15,916         | <b>16,809</b>  | 6%     | 25%  |
| Credit Card*                                          | 25,287         | 29,516         | <b>31,560</b>  | 7%     | 25%  |
| Payroll                                               | 41,860         | 46,960         | <b>50,108</b>  | 7%     | 20%  |
| <b>Consumer Loans</b>                                 | <b>185,270</b> | <b>211,619</b> | <b>222,603</b> | 5%     | 20%  |

\*For comparison purposes 2016 results were adjusted to reflect the INB deconsolidation in 4Q16. Therefore, they will differ from those published in the Quarterly Reports of that year.

**Total Performing Loans increased +13% YoY for an ending balance of Ps 593.92 billion in 2Q17.** Outstanding +20% annual growth in the consumer book: auto loans +25%, credit cards +25%, payroll loans +20% and mortgage +19%. These results continue to show advances in the alignment of products and segments to provide the right product offer to our customers. During the quarter, there was a strong loan growth in all segments.

- **Mortgages:** up +19% YoY, with an ending **balance of Ps 124.13 billion as of 2Q17**. During the quarter the portfolio grew Ps 4.90 billion or +4% on higher origination in all products comprising this segment. As of May 2017, Banorte had a 17.7% market share in mortgage balances, ranking third in the system, and growing above its main peers.
- **Car Loans:** In 2Q17, the portfolio increased +25% YoY and +6% QoQ, totaling **Ps 16.81 billion**, on the successful commercial strategy to offset the strong competition from financial firms of car manufacturers. As of May 2017, Banorte's market share was 15.3%, and had the best annual performance in the banking industry.
- **Credit Cards:** Outstanding performance of the book, with an **ending balance of Ps 31.56 billion**, up +25% YoY and +7% QoQ, consolidating the strong growth pace seen since last year on the back of active portfolio management and continued commercial campaigns. As of May 2017, Banorte held a 9.0% market share in credit card balances, ranking fourth in the banking system and leading growth among its main peers.
- **Payroll Loans:** showed a good increase of +20% YoY and +7% QoQ, **reaching a balance of Ps 50.11 billion**, driven by higher credit penetration on a larger base of payroll account holders. Banorte holds a market share in payroll loans of 20.6% as of May 2017, ranking third in the system.
- **Commercial Book:** accelerated growth with an **ending balance of Ps 129.78 billion**, +Ps 16.88 billion or +15% higher YoY. It increased +5% in the quarter. The leasing and factoring books grew +1.18% annually. As of May 2017, the market share in commercial loans (including the corporate book according to the CNBV's classification) was 10.3%, ranking fourth in the system.

**GFNorte's SME performing portfolio amounted to Ps 32.51 billion**, +15% higher YoY on higher loan origination. The NPL ratio continues to improve, showing important reduction in the comparisons.

#### SMEs Portfolio Evolution (million pesos)

|                                             | 2Q16   | 1Q17   | 2Q17   |
|---------------------------------------------|--------|--------|--------|
| <b>Performing Portfolio</b>                 | 28,227 | 30,878 | 32,507 |
| <b>% of Performing Commercial Portfolio</b> | 25.0%  | 25.0%  | 25.0%  |
| <b>% of Total Performing Portfolio</b>      | 5.4%   | 5.4%   | 5.5%   |
| <b>NPL Ratio</b>                            | 7.8%   | 6.1%   | 5.5%   |

- **Corporate Loans:** The ending balance in 2Q17 stood at **Ps 107.12 billion**, an important increase of +17% YoY on good loan demand. Sequentially it increased +5%. GFNorte's corporate loan book is well diversified by sectors and regions and shows a low concentration risk. GFNorte's 20 main corporate borrowers accounted for 10.7% of the group's total portfolio, increasing by 28bp vs. 1Q17 and decreasing (68bp) vs. a year ago. The group's largest corporate loan represents 1.0% of the total portfolio; whereas number 20 represent 0.3%. 100% of GFNorte's main corporate borrowers have an A1 rating.

As of June 30, 2017 GFNorte's **loan exposure to home builders was Ps 2.57 billion** in Urbi Desarrollos Urbanos, S.A.B. de C.V., Corporación Geo, S.A.B. de C.V. and Desarrolladora Homex, S.A.B. de C.V., +4.7% higher than the prior quarter. This exposure represented 0.4% of the total loan portfolio, unchanged from March 2017. The credit exposure has 100% collateral coverage, unchanged vs. 1Q17. The loan loss reserve coverage was 38.4% in 2Q17. **Sólida had a balance of Ps 5.21 billion in investment projects** to these companies, (1%) lower vs. 1Q17.

- **Government Book:** the ending balance at 2Q17 was **Ps 134.42 billion**, lower by (1%) YoY. Sequentially, it increased +2%. GFNorte's government portfolio is diversified by sectors and regions, and shows adequate concentration risk. GFNorte's 20 largest government loans account for 19.7% of the group's total portfolio, a decline of (2.80 pp) vs. 2Q16 and (2bp) vs. 1Q17. The largest government loan represents 3.0% of the total portfolio and is rated A1; whereas, number 20 represents 0.3%, also rated A1. The portfolio's risk profile is adequate with 29.8% of the loans granted to Federal Government entities and 99.1% of loans to States and Municipalities have a fiduciary guarantee (Federal budget transfers and local revenues such as payroll tax), and 0.9% of the loans have short-term maturities. As of May 2017, Banorte held a 24.4% market share of the total system, ranking first.

## Past Due Loans

| (Million Pesos)    | 2Q16   | 1Q17   | 2Q17          | Change |       |
|--------------------|--------|--------|---------------|--------|-------|
|                    |        |        |               | 1Q17   | 2Q16  |
| Past Due Loans     | 12,624 | 10,284 | <b>10,818</b> | 5%     | (14%) |
| Loan Loss Reserves | 15,045 | 14,235 | <b>16,119</b> | 13%    | 7%    |
| Acquired Rights    | 1,946  | 2,082  | <b>1,986</b>  | (5%)   | 2%    |

\*For comparison purposes 2016 results were adjusted to reflect the INB deconsolidation in 4Q16. Therefore, they differ from those published in the Quarterly Reports of that year.

During 2Q17, Past Due Loans were Ps 10.82 billion, lower by (Ps 1.81) billion or (14.3%) YoY. During 2Q17 there was a seasonal deterioration in all of the consumer books, while the commercial and corporate books showed improved performance.

The quarterly evolution of NPL balances were as follows:

| Past Due Loans<br>(Million Pesos) | 2Q16          | 1Q17          | 2Q17          | Change     |                |
|-----------------------------------|---------------|---------------|---------------|------------|----------------|
|                                   |               |               |               | 1Q17       | 2Q16           |
| Credit Cards                      | 1,671         | 1,660         | <b>2,073</b>  | 413        | 402            |
| Payroll                           | 1,488         | 1,218         | <b>1,662</b>  | 444        | 173            |
| Car Loans                         | 183           | 150           | <b>183</b>    | 33         | 0              |
| Mortgages                         | 1,141         | 1,019         | <b>1,161</b>  | 143        | 21             |
| Commercial                        | 4,041         | 3,667         | <b>3,468</b>  | (199)      | (572)          |
| Corporate                         | 4,101         | 2,569         | <b>2,270</b>  | (299)      | (1,830)        |
| Government                        | -             | -             | -             | -          | -              |
| <b>Total</b>                      | <b>12,624</b> | <b>10,284</b> | <b>10,818</b> | <b>534</b> | <b>(1,806)</b> |

\*For comparison purposes 2016 results were adjusted to reflect the INB deconsolidation in 4Q16. Therefore, they differ from those published in the Quarterly Reports of that year.

In 2Q17, the Past Due Loan Ratio remained at historically low levels of 1.79%, improving by (56bp) vs. 2Q16 on improvements in all books. During the quarter, it deteriorated slightly +1bp.

PDL Ratios by segment showed the following trends:

| Past Due Loans Ratios | 2Q16        | 3Q16        | 4Q16        | 1Q17        | 2Q17        |
|-----------------------|-------------|-------------|-------------|-------------|-------------|
| Credit Cards          | 6.2%        | 5.7%        | 5.4%        | 5.3%        | <b>6.2%</b> |
| Payroll               | 3.4%        | 3.2%        | 3.1%        | 2.5%        | <b>3.2%</b> |
| Car Loans             | 1.3%        | 1.3%        | 1.2%        | 0.9%        | <b>1.1%</b> |
| Mortgages             | 1.1%        | 1.0%        | 0.9%        | 0.8%        | <b>0.9%</b> |
| Commercial            | 3.5%        | 3.2%        | 2.7%        | 2.9%        | <b>2.6%</b> |
| SMEs                  | 7.8%        | 7.3%        | 6.3%        | 6.1%        | <b>5.5%</b> |
| Commercial            | 1.9%        | 1.7%        | 1.4%        | 1.8%        | <b>1.6%</b> |
| Corporate             | 4.3%        | 4.2%        | 2.4%        | 2.4%        | <b>2.1%</b> |
| Government            | 0.0%        | 0.0%        | 0.0%        | 0.0%        | <b>0.0%</b> |
| <b>Total</b>          | <b>2.3%</b> | <b>2.2%</b> | <b>1.8%</b> | <b>1.8%</b> | <b>1.8%</b> |

\*For comparison purposes 2016 results were adjusted to reflect the INB deconsolidation in 4Q16. Therefore, they will differ from those published in the Quarterly Reports of that year.

The expected loss for Banco Mercantil del Norte was 2.2% and the unexpected loss 4.0%, both with respect to the total portfolio at 2Q17. These ratios were 2.0% and 4.1%, respectively in 1Q17 and 2.2% and 3.4% 12 months ago, considering that in 2Q16, the unexpected loss was reported with a 99.50% level of confidence, whereas as of 4Q16, it is reported with a 99.95% level, as the portfolio's model improve and strengthen.

Banco Mercantil del Norte's Net Credit Losses (NCL) including write-offs and considering its merger with Banorte Ixe Tarjetas was 2.0%, (10bp) lower vs. 1Q17.

Quarterly changes in accounts that affect Non Performing Loans' balances for the Financial Group were:

| Past Due Loan Variations<br>(Million Pesos)      |               |
|--------------------------------------------------|---------------|
| <b>Balance as of March '17</b>                   | <b>10,284</b> |
| Transfer from Performing Loans to Past Due Loans | 5,491         |
| Portfolio Purchase                               | -             |
| Renewals                                         | (88)          |
| Cash Collections                                 | (786)         |
| Discounts                                        | (95)          |
| Charge Offs                                      | (2,590)       |
| Foreclosures                                     | (28)          |
| Transfer from Past Due Loans to Performing Loans | (1,367)       |
| Loan Portfolio Sale                              | -             |
| Foreign Exchange Adjustments                     | (2)           |
| Fair Value Ixe                                   | -             |
| <b>Balance as of June '17</b>                    | <b>10,818</b> |

Out of the loan book 85% is rated A Risk, 10% B Risk and 5% as Risk C, D and E combined.

#### Risk Rating of Performing Loans as of 2Q17 - GFNorte

(Million Pesos)

| CATEGORY                   | LOANS          | LOAN LOSS RESERVES      |                     |                          |              |              |               |
|----------------------------|----------------|-------------------------|---------------------|--------------------------|--------------|--------------|---------------|
|                            |                | COMMERCIAL              |                     |                          | CONSUMER     | MORTGAGES    | TOTAL         |
|                            |                | MIDDLE MARKET COMPANIES | GOVERNMENT ENTITIES | FINANCIAL INTERMEDIARIES |              |              |               |
| A1                         | 486,521        | 968                     | 432                 | 98                       | 729          | 190          | 2,417         |
| A2                         | 58,823         | 286                     | 210                 | 6                        | 441          | 32           | 974           |
| B1                         | 31,073         | 124                     | 24                  | 6                        | 768          | 20           | 942           |
| B2                         | 19,722         | 67                      | 4                   | 4                        | 710          | 29           | 814           |
| B3                         | 13,578         | 144                     | 26                  | 2                        | 495          | 16           | 682           |
| C1                         | 8,332          | 95                      | 11                  | 3                        | 473          | 69           | 652           |
| C2                         | 6,987          | 123                     | -                   | -                        | 611          | 180          | 914           |
| D                          | 11,405         | 2,114                   | -                   | 0                        | 1,636        | 461          | 4,210         |
| E                          | 6,250          | 1,001                   | -                   | 4                        | 3,271        | 45           | 4,322         |
| <b>Total</b>               | <b>642,690</b> | <b>4,922</b>            | <b>706</b>          | <b>124</b>               | <b>9,134</b> | <b>1,041</b> | <b>15,926</b> |
| Not Classified             | (68)           |                         |                     |                          |              |              |               |
| Exempt                     | -              |                         |                     |                          |              |              |               |
| <b>Total</b>               | <b>642,622</b> | <b>4,922</b>            | <b>706</b>          | <b>124</b>               | <b>9,134</b> | <b>1,041</b> | <b>15,926</b> |
| <b>Reserves</b>            |                |                         |                     |                          |              |              | <b>16,119</b> |
| <b>Preventive Reserves</b> |                |                         |                     |                          |              |              | <b>193</b>    |

#### Notes:

- 1) Loan grading and reserves are as of as of June 30, 2017.
- 2) The loan portfolio is graded following rules issued by the Ministry of Finance and Public Credit (SHCP), and the methodology established by the CNBV.

The Institution uses regulatory methodologies to grade all credit portfolios.

The Institution uses risk ratings: A1, A2, B1, B2, B3, C1, C2, D and E to classify provisions according to the portfolio segment and percentage of the provisions representing the outstanding balance of the loan, and which are set forth in Fifth Section of the "De la constitución de reservas y su clasificación por grado de riesgo" contained in Chapter 5, Title Section of such regulation.

- 3) The additional loan loss reserves follow the rules applicable to banks and credit institutions.

Based on B6 Credit Portfolio criteria of the CNBV, a Distressed Portfolio is defined as the pool of commercial loans unlikely to be recovered fully, including both principal and interest pursuant to terms and conditions originally agreed. Such determination is made based on actual information and data and on the loan review process. Performing loans and past-due loans are susceptible of being identified as Distressed Portfolios. The D and E risk degrees of the commercial loan rating are as follows:

| (Million Pesos)                           | Total       |
|-------------------------------------------|-------------|
| Distressed Portfolio                      | 7,020       |
| Total Loans                               | 642,622     |
| <b>Distressed Portfolio / Total Loans</b> | <b>1.1%</b> |

## Loan Loss Reserves and Loan Loss Provisions

| Loan Loss Reserves<br>(Million Pesos)   | 2Q17          |
|-----------------------------------------|---------------|
| <b>Previous Period Ending Balance</b>   | <b>14,235</b> |
| Provisions charged to results           | 3,971         |
| Cargos a utilidades retenidas           | 1,054         |
| Created with profitability margin       | 0             |
| Reserve Portfolio Sold                  | 0             |
| Other items                             | (187)         |
| <u>Charge offs and discounts:</u>       |               |
| Commercial Loans                        | (378)         |
| Consumer Loans                          | (2,296)       |
| Mortgage Loans                          | (266)         |
| Foreclosed assets                       | 0             |
|                                         | (2,941)       |
| Cost of debtor support programs         | (2)           |
| Valorization and Others                 | (11)          |
| Adjustments                             | 0             |
| <b>Loan Loss Reserves at Period End</b> | <b>16,119</b> |

**Loan Loss Reserves in 2Q17 totaled Ps 16.12 billion**, +13% higher vs. 1Q17, in part supported by the quarterly provision charge of Ps 4,058m, but also includes the Ps 1,054 billion charge recorded in equity related to the new Reserves Methodology for non-revolving consumer loans and mortgages issued by the CNBV, effective as of June 1<sup>st</sup>, 2017.

Charge-offs during the quarter amounted to Ps 2,941 million, resulting in a charge-off rate of 0.4%, (10 bps) lower than the prior quarter. Of this amount 78% of write-offs, are related to the consumer portfolio, 13% to commercial and 9% to mortgages.

**The loan loss coverage ratio was 149% in 2Q17**, increasing +29.8 pp YoY and +10.6 pp QoQ.

## Recent Events

### 1. ISSUANCE OF TIER 1 CAPITAL NOTES FOR USD 900 MILLION AND PREPAYMENT OF SUBORDINATED OBLIGATIONS Q BANORTE 12

On July 6, Banco Mercantil del Norte, S.A., Institución de Banca Múltiple, Grupo Financiero Banorte ("Banorte") successfully issued **Subordinated NonPreferred Non-Cumulative Tier 1 Capital Notes** for USD 900 million in the international markets.

Tier 1 Capital Notes were issued in two series:

- **BANORT 6 7/8 PERP** for US 350 million, callable at the fifth year, carrying a coupon rate of 6.875%.
- **BANORT 7 5/8 PERP** for US 550 million, callable at the tenth year, carrying a coupon rate of 7.625%.

Both series were rated by Moody's and S&P Ba2 and BB, respectively. The Capital Notes are Basel III-compliant.

Proceeds from the issuance will be used for general corporate purposes and to strengthen the bank's regulatory capital.

In line with the above, on June 30, 2017 Banorte prepaid subordinated preferred & nonconvertible obligations Q Banorte 12 amounting to Ps 3.2 billion, issued on June 8, 2012 and due on May 27, 2022.

### 2. CREDIT RATINGS

Fitch assigns 'Excellent (mex)' fund quality rating to Operadora de Fondos Banorte Ixe as asset manager

On May 16, Fitch Ratings assigned 'Excellent (mex)' fund quality rating to Operadora de Fondos Banorte Ixe, S.A. de C.V., Sociedad Operadora de Fondos de Inversión, Grupo Financiero Banorte ("OBI") as asset manager. The factors to assign the highest rating are:

- superior investment process and operational framework compared to the standards applied by institutional investors in Mexico,
- broad expertise of Operadora's management team,
- adequate Corporate Governance fostering interest alignment with investors, and
- OBI's relevance as subsidiary of GFNorte.

### 3. SHAREHOLDERS' MEETINGS

GFNorte's Annual General Shareholders' Meeting was held on April 28<sup>th</sup> with a 80.06% representation of the total subscribed, paid and voting shares of the Company's capital. The resolutions adopted by the Assembly were:

1. Approval of the reports referred in section IV, Article 28 of the Securities Market Law and section IV, Article 39 of the Law Regulating Financial Groups, corresponding to the year ended December 31<sup>st</sup>, 2016.
2. Distribution of the 2016 net income amounting to Ps 19.29 billion, applied into the account "Retained Earnings from prior Years", as it was not necessary to allocate resources into the account "Legal Reserve" since it was fully constituted.
3. Approval that the Board of Directors be integrated by 15 Members and if the case, by their respective Substitutes, appointing the following people and their duties for the year 2017, qualifying the corresponding members' independence since they do not fall within the restrictions outlined in the Securities Market Law and the Law Regulating Financial Groups:

| Proprietary Members                          |             | Substitute Members                          |             |
|----------------------------------------------|-------------|---------------------------------------------|-------------|
| Carlos Hank González                         | Chairman    | Graciela González Moreno                    |             |
| Juan Antonio González Moreno                 |             | Juan Antonio González Marcos                |             |
| David Juan Villarreal Montemayor             |             | Carlos de la Isla Corry                     |             |
| José Marcos Ramírez Miguel                   |             | Clemente Ismael Reyes Retana Valdés         | Independent |
| Everardo Elizondo Almaguer                   | Independent | Alberto Halabe Hamui                        | Independent |
| Carmen Patricia Armendáriz Guerra            | Independent | Manuel Aznar Nicolín                        | Independent |
| Héctor Federico Reyes-Retana y Dahl          | Independent | Roberto Kelleher Vales                      | Independent |
| Eduardo Livas Cantú                          | Independent | Robert William Chandler Edwards             | Independent |
| Alfredo Elías Ayub                           | Independent | Isaac Becker Kabacnik                       | Independent |
| Adrián Sada Cueva                            | Independent | José María Garza Treviño                    | Independent |
| Alejandro Burillo Azcárraga                  | Independent | Javier Braun Burillo                        | Independent |
| José Antonio Chedraui Eguía                  | Independent | Rafael Contreras Grosskelwing               | Independent |
| Alfonso de Angoitia Noriega                  | Independent | Guadalupe Phillips Margain                  | Independent |
| Olga María del Carmen Sánchez Cordero Dávila | Independent | Eduardo Alejandro Francisco García Villegas | Independent |
| Thomas Stanley Heather Rodríguez             | Independent | Ricardo Maldonado Yáñez                     | Independent |

- Héctor Ávila Flores was designated as Secretary of the Board of Directors; nevertheless, he is not a board member.
- Designation of Héctor Reyes-Retana y Dahl as Chairman of the Audit and Corporate Practices Committee.
- Approval to allocate the amount of Ps. 4.26 billion, equivalent to 1.5% of the Financial Groups' market capitalization value as of December 2016, charged against equity, to purchase Company's shares during 2017, and will consider those transactions to be carried out in 2017 and until April 2018, subject to the Treasury's Policy for Transactions with Shares.
- Approval to certify GFNorte's By-Laws in order to comply with Section V, Article 34 of the General Provisions Applicable to Issuers and Other Market Participants requiring certification of the Company's By-Laws every three years. These By-laws include amendments approved by different Shareholders' Assemblies, being the last, those deriving from the Meeting held on August 19<sup>th</sup>, 2016.

Moreover, GFNorte held an Ordinary General Shareholders' Meeting on June 20<sup>th</sup> with a 77.68% representation of the total subscribed, paid and voting shares of the Company's capital. The resolutions adopted by the Assembly were:

- Approval to distribute a cash dividend of Ps 7.72 billion or Ps 2.784391033549680 per share, against delivery of coupon 7. This disbursement was approved by the Board of Directors on April 27<sup>th</sup> and represents 40% of the net profits of 2016, which derived from the Fiscal Net Income as of December 31<sup>st</sup>, 2013.
- Approval to distribute a cash dividend of Ps 3.50 billion or Ps 1.261838950230780 per share, against delivery of coupon 8. This disbursement corresponds to the extraordinary dividend approved by the Board of Directors on April 27<sup>th</sup> as result of the sale of Inter National Bank and derived from the Fiscal Net Income as of December 31<sup>st</sup>, 2013.

Both payments were delivered on June 29, 2017.

#### 4. INTERBRAND – BEST MEXICAN BRANDS 2017

In April, Interbrand, global brand advisor, published the Best Mexican Brands 2017 report of the 25 most valuable brands in the country. Banorte ranked as the most valuable in the financial sector, occupying the sixth position with a value of Ps 25.94 billion.

#### 5. PRINCIPLES FOR RESPONSIBLE INVESTMENT

In April, GFNorte became signatory of the Principles for Responsible Investment ("PRI"), independent initiative supported by the United Nations Global Compact and the United Nations Environment Programme Finance Initiative.

As signatory, the Financial Group commits to consider the impact on climate change, biodiversity and social welfare of that the financed projects.

The PRI imply the adoption of six principles on:

- incorporation of ESG issues into investment analysis and decision-making processes,
- incorporation of ESG issues into ownership policies and practices,
- appropriate disclosure on ESG issues by the entities in which we invest,
- promotion to accept and implement the principles within the investment industry,
- enhancement of effectiveness in implementing the principles, and
- report activities and progress towards implementing the principles.

## Consolidated Bank

*As in 1Q17 was done and derived from the sale of Inter National Bank finalized on March 31<sup>st</sup>, 2017, the consolidation of INB's quarterly and accumulated figures in Banorte's Balance and Sheet and Income Statement were fully reversed for 2016. Hence, the consolidated figures and ratios of GFNorte and Banorte presented in this report differ from those published in the Quarterly Releases of 1Q, 2Q, 3Q and 4Q of 2016, as these have been modified retroactively to be comparable and to reflect the INB deconsolidation.*

Consolidated Bank: Banco Mercantil del Norte, Banorte- Ixe Tarjetas\*, Afore XXI Banorte\*\* (50% ownership) and Banorte USA\*\*\*.

| Income Statement and Balance Sheet Highlights - Consolidated Bank      |  |  |  | 2Q16    |  | 1Q17    |  | 2Q17      |  | Change |  | 1H16  |  | 1H17    |  | Change    |  |
|------------------------------------------------------------------------|--|--|--|---------|--|---------|--|-----------|--|--------|--|-------|--|---------|--|-----------|--|
| (Million Pesos)                                                        |  |  |  |         |  |         |  |           |  | 1Q17   |  | 2Q16  |  |         |  | 1H16      |  |
| Net Interest Income                                                    |  |  |  | 11,133  |  | 13,272  |  | 13,463    |  | 1%     |  | 21%   |  | 21,901  |  | 26,735    |  |
| Non-Interest Income                                                    |  |  |  | 3,583   |  | 4,077   |  | 4,102     |  | 1%     |  | 14%   |  | 7,045   |  | 8,179     |  |
| Total Income                                                           |  |  |  | 14,717  |  | 17,349  |  | 17,565    |  | 1%     |  | 19%   |  | 28,946  |  | 34,914    |  |
| Non-Interest Expense                                                   |  |  |  | 6,859   |  | 8,043   |  | 7,822     |  | (3%)   |  | 14%   |  | 14,072  |  | 15,865    |  |
| Provisions                                                             |  |  |  | 3,444   |  | 3,227   |  | 3,977     |  | 23%    |  | 15%   |  | 6,614   |  | 7,205     |  |
| Operating Income                                                       |  |  |  | 4,414   |  | 6,078   |  | 5,766     |  | (5%)   |  | 31%   |  | 8,261   |  | 11,844    |  |
| Taxes                                                                  |  |  |  | 1,155   |  | 1,861   |  | 1,597     |  | (14%)  |  | 38%   |  | 2,172   |  | 3,458     |  |
| Discontinued Operations                                                |  |  |  | 72      |  | 74      |  | 6         |  | (92%)  |  | (92%) |  | 131     |  | 79        |  |
| Subsidiaries & Minority Interest                                       |  |  |  | 322     |  | 14      |  | 17        |  | 17%    |  | (95%) |  | 654     |  | 31        |  |
| Net Income                                                             |  |  |  | 3,652   |  | 4,305   |  | 4,191     |  | (3%)   |  | 15%   |  | 6,875   |  | 8,496     |  |
| Balance Sheet                                                          |  |  |  |         |  |         |  |           |  |        |  |       |  |         |  |           |  |
| Performing Loans (a)                                                   |  |  |  | 516,055 |  | 560,589 |  | 583,853   |  | 4%     |  | 13%   |  | 516,055 |  | 583,853   |  |
| Past Due Loans (b)                                                     |  |  |  | 12,328  |  | 10,034  |  | 10,598    |  | 6%     |  | (14%) |  | 12,328  |  | 10,598    |  |
| Total Loans (a+b)                                                      |  |  |  | 528,383 |  | 570,622 |  | 594,452   |  | 4%     |  | 13%   |  | 528,383 |  | 594,452   |  |
| Total Loans Net (d)                                                    |  |  |  | 513,772 |  | 556,818 |  | 578,953   |  | 4%     |  | 13%   |  | 513,772 |  | 578,953   |  |
| Acquired Collection Rights (e)                                         |  |  |  | 1,165   |  | 1,477   |  | 1,394     |  | (6%)   |  | 20%   |  | 1,165   |  | 1,394     |  |
| Total Loans (d+e)                                                      |  |  |  | 514,937 |  | 558,294 |  | 580,347   |  | 4%     |  | 13%   |  | 514,937 |  | 580,347   |  |
| Total Assets                                                           |  |  |  | 964,962 |  | 975,193 |  | 1,003,031 |  | 3%     |  | 4%    |  | 964,962 |  | 1,003,031 |  |
| Total Deposits                                                         |  |  |  | 555,532 |  | 578,191 |  | 614,625   |  | 6%     |  | 11%   |  | 555,532 |  | 614,625   |  |
| Demand Deposits                                                        |  |  |  | 336,538 |  | 366,454 |  | 367,839   |  | 0%     |  | 9%    |  | 336,538 |  | 367,839   |  |
| Time Deposits                                                          |  |  |  | 218,994 |  | 211,737 |  | 246,786   |  | 17%    |  | 13%   |  | 218,994 |  | 246,786   |  |
| Total Liabilities                                                      |  |  |  | 859,594 |  | 880,289 |  | 915,480   |  | 4%     |  | 7%    |  | 859,594 |  | 915,480   |  |
| Equity                                                                 |  |  |  | 105,367 |  | 94,904  |  | 87,551    |  | (8%)   |  | (17%) |  | 105,367 |  | 87,551    |  |
|                                                                        |  |  |  |         |  |         |  |           |  |        |  |       |  |         |  |           |  |
| Financial Ratios - Consolidated Bank                                   |  |  |  | 2Q16    |  | 1Q17    |  | 2Q17      |  |        |  |       |  | 1H16    |  | 1H17      |  |
| Profitability:                                                         |  |  |  |         |  |         |  |           |  |        |  |       |  |         |  |           |  |
| NIM (1)                                                                |  |  |  | 5.1%    |  | 5.7%    |  | 5.8%      |  |        |  |       |  | 5.0%    |  | 5.7%      |  |
| NIM after Provisions (2)                                               |  |  |  | 3.5%    |  | 4.3%    |  | 4.1%      |  |        |  |       |  | 3.5%    |  | 4.2%      |  |
| ROE (3)                                                                |  |  |  | 14.1%   |  | 18.4%   |  | 18.4%     |  |        |  |       |  | 13.3%   |  | 18.5%     |  |
| ROA (4)                                                                |  |  |  | 1.5%    |  | 1.7%    |  | 1.7%      |  |        |  |       |  | 1.5%    |  | 1.7%      |  |
| Operation:                                                             |  |  |  |         |  |         |  |           |  |        |  |       |  |         |  |           |  |
| Efficiency Ratio (5)                                                   |  |  |  | 46.6%   |  | 46.4%   |  | 44.5%     |  |        |  |       |  | 48.6%   |  | 45.4%     |  |
| Operating Efficiency Ratio (6)                                         |  |  |  | 2.9%    |  | 3.2%    |  | 3.2%      |  |        |  |       |  | 3.0%    |  | 3.2%      |  |
| Average Liquidity Coverage Ratio for Banorte and SOFOM - Basel III (7) |  |  |  | 118.52% |  | 93.20%  |  | 91.48%    |  |        |  |       |  | 118.52% |  | 91.48%    |  |
| Asset Quality:                                                         |  |  |  |         |  |         |  |           |  |        |  |       |  |         |  |           |  |
| Past Due Loan Ratio                                                    |  |  |  | 2.3%    |  | 1.8%    |  | 1.8%      |  |        |  |       |  | 2.3%    |  | 1.8%      |  |
| Coverage Ratio                                                         |  |  |  | 118.5%  |  | 137.6%  |  | 146.2%    |  |        |  |       |  | 118.5%  |  | 146.2%    |  |
| Past Due Loan Ratio w/o Banorte USA                                    |  |  |  | 2.3%    |  | 1.8%    |  | 1.8%      |  |        |  |       |  | 2.3%    |  | 1.8%      |  |
| Coverage Ratio w/o Banorte USA                                         |  |  |  | 118.5%  |  | 137.6%  |  | 146.2%    |  |        |  |       |  | 118.5%  |  | 146.2%    |  |
| Growth (8)                                                             |  |  |  |         |  |         |  |           |  |        |  |       |  |         |  |           |  |
| Performing Loans (9)                                                   |  |  |  | 8.3%    |  | 10.5%   |  | 13.1%     |  |        |  |       |  | 8.3%    |  | 13.1%     |  |
| Core Deposits                                                          |  |  |  | 7.8%    |  | 13.3%   |  | 11.2%     |  |        |  |       |  | 7.8%    |  | 11.2%     |  |
| Total Deposits                                                         |  |  |  | 6.0%    |  | 7.6%    |  | 10.6%     |  |        |  |       |  | 6.0%    |  | 10.6%     |  |
| Capitalization:                                                        |  |  |  |         |  |         |  |           |  |        |  |       |  |         |  |           |  |
| Net Capital/ Credit Risk Assets                                        |  |  |  | 20.4%   |  | 21.5%   |  | 18.2%     |  |        |  |       |  | 20.4%   |  | 18.2%     |  |
| Total Capitalization Ratio                                             |  |  |  | 14.9%   |  | 16.6%   |  | 15.1%     |  |        |  |       |  | 14.9%   |  | 15.1%     |  |
| Leverage                                                               |  |  |  |         |  |         |  |           |  |        |  |       |  |         |  |           |  |
| Basic Capital/ Adjusted Assets                                         |  |  |  | 8.6%    |  | 8.0%    |  | 7.5%      |  |        |  |       |  | 8.6%    |  | 7.5%      |  |

1) NIM = Annualized Net Interest Income for the quarter / Average of Performing Assets.

2) NIM = Annualized Net Interest Income for the quarter adjusted for Credit Risks / Average of Performing Assets.

3) Net Income of the period annualized as a percentage of the quarterly average of Equity (excluding minority interest) for the same period.

4) Net Income of the period annualized as a percentage of the quarterly average of Total Assets (excluding minority interest) for the same period.

5) Non-Interest Expenses / Total Income.

6) Annualized Non-Interest Expenses of the quarter / Average of Total Assets.

7) CCL calculation is preliminary and will be updated once Banco de Mexico publishes official indicators.

8) Growth compared to the same period of the previous year.

9) Excludes Fobaproa / IPAB and proprietary portfolio managed by the Recovery Bank.

\* On May 2, 2016, the merger between Banorte-Ixe Tarjetas – as the merged and extinguished company – and Banorte - merging and surviving entity- became effective.

\*\*On October 17, 2016 the corporate restructure became effective through which Afore XXI Banorte reports its results within Seguros Banorte as of 4Q16.

\*\*\* Derived from the Inter National Bank divestiture, Banorte USA will not consolidate this subsidiary's results as of 4Q16.

## Net Interest Income

**Net Interest Income in 1H17 amounted to Ps 26.74 billion**, +22% up vs. 1H16 in line with the +22% rise in the NII from loans and deposits – driven by the loan portfolio growth and the interest rate hikes that Banxico carried out during the year- and +59% acceleration in NII from repos

**Net Interest Margin (NIM) in 1H17 stood at 5.7%**, +67bp above the same period a year ago and at **5.8% in 2Q17**, +10bp higher vs. 1Q17. Both comparisons were driven by better loan portfolio mix and the repricing of the balance sheet as a result of the interest rate cycle.

Additionally, **in 1H17 NIM adjusted for credit risk was 4.2%**, increasing +65bp vs. 1H16 and **in 2Q17 stood at 4.1%**, (0.2 pp) lower QoQ.

## Loan Loss Provisions

**In 1H17 Loan Loss Provisions totaled Ps 7.21 billion**, +9% up YoY on higher requirements in consumer portfolios, mainly credit card and payroll. Moreover, **Provisions in 2Q17 rose to Ps 3.98 billion**, +23% above QoQ as result of higher requirements coming from wholesale portfolios and, to a lesser extent, from monthly requirements in the consumer books.

## Non-Interest Income

**In 1H17, Non-Interest Income was Ps 8.18 billion**, +16% higher vs. the same period a year ago, driven by the +13% growth in Net Fees and +67% increase in Trading Income. **In 2Q17 Non-Interest Income stood at Ps 4.10 billion** – recovering from the QoQ seasonal decline registered in 1Q17- +1% up QoQ on the +Ps 260 million increase in Net Fees.

Moreover, **revenues from core banking services** (account management, fund transfers and electronic banking services) **grow continuously: +24% vs. 1H16 and +4% vs. 1Q17** on higher transaction volume and on an improved fee structure in products and segments.

## Non-Interest Expenses

**Non-Interest Expenses in 1H17 were Ps 15.87 billion**, +13% higher vs. the same period a year ago, as result of increases in all lines. **In the second quarter of 2017, Non-Interest Expenses declined (3%) vs. 1Q17 to Ps 7.82 billion**, benefited mainly by the reduction in Personnel Expenses (-Ps 234 million) and Other Taxes and Non-deductible Expenses (-Ps 122 million).

**The Efficiency Ratio improved continuously** -both vs. 1H16 and 1Q17-, **to 45.3% at June 2017**, (333bp) lower vs. the same period a year ago, due to positive operating leverage; while **in 2Q17 was 44.2%**, (213bp) below QoQ, benefited by the Non-Interest Expense contraction.

## Net Income

**Net Income in 1H17 was Ps 8.50 billion**, up by +24% on a yearly basis, driven by positive traction in total revenues. **In 2Q17 Profits amounted to Ps 4.19 billion**, (3%) lower QoQ, affected by higher Provisions.

**Consolidated Bank's profits** – according to GFNorte's holding - **in 1H17 were Ps 8.35 billion**, +36% higher YoY, while **in 2Q17 stood at Ps 4.12 billion**. The bank contributed with 74.5% of the Group's accumulated results and with 72.5% of the quarterly profits.

**ROE for the Consolidated Bank in 1H17 was 18.5%**, up by +520bp vs. 1H16, explained by the good level of profits generated by the bank, as well as by the decrease in equity on the divestment of the bank in Texas. Likewise, **ROA for 1H17 was 1.7%**, growing +23bp YoY.

## NPL Ratio

The Consolidated Bank's Non-Performing Loan Ratio in 2Q17 **was 1.8%**, unchanged QoQ but (55bp) lower vs. YoY.

## Long Term Savings

On August 16th, 2016, the National Insurance and Bonding Commission ("CNSF") authorized Seguros Banorte to directly invest in Banorte Futuro's equity, and to invest indirectly in the equity of Afore XXI's. Then, on August 26th, the National Commission for the Retirement Savings System ("CONSAR") authorized Seguros Banorte to indirectly acquire a 50% stake in Afore XXI Banorte, as a result of its spin-off from Banco Mercantil del Norte.

Additionally, the Tax Administration Service ("SAT") on October 12th, authorized to transfer shares at fiscal cost from Banorte Futuro i) to Banorte Ahorro y Previsión, and ii) then to Seguros Banorte.

These transactions became effective as of October 17th, 2016. Therefore, as of that date, 50% of Afore's XXI Banorte profits are registered in the Subsidiaries' Net Income line.

### Seguros Banorte

| Income Statement and Balance Sheet<br>Highlights - Insurance - Seguros Banorte<br>(Million Pesos) | 2Q16         | 1Q17         | 2Q17          | Change       |            | 1H16         | 1H17           | Change     |
|---------------------------------------------------------------------------------------------------|--------------|--------------|---------------|--------------|------------|--------------|----------------|------------|
|                                                                                                   |              |              |               | 1Q17         | 2Q16       |              |                | 1H16       |
| <b>Interest Income (Net)</b>                                                                      | 132          | 174          | <b>254</b>    | 46%          | 93%        | 258          | <b>428</b>     | 66%        |
| Premium Income (Net)                                                                              | 2,627        | 5,986        | <b>4,336</b>  | (28%)        | 65%        | 9,015        | <b>10,323</b>  | 15%        |
| Net Increase in Technical Reserves                                                                | (529)        | 1,920        | <b>463</b>    | (76%)        | N.A.       | 1,755        | <b>2,384</b>   | 36%        |
| Damages, Claims and Other Obligations                                                             | 2,312        | 2,325        | <b>2,602</b>  | 12%          | 13%        | 4,307        | <b>4,927</b>   | 14%        |
| <b>Technical Results</b>                                                                          | 843          | 1,741        | <b>1,271</b>  | (27%)        | 51%        | 2,953        | <b>3,012</b>   | 2%         |
| <b>Net Interest Income (Nil)</b>                                                                  | <b>975</b>   | <b>1,916</b> | <b>1,524</b>  | <b>(20%)</b> | <b>56%</b> | <b>3,210</b> | <b>3,440</b>   | <b>7%</b>  |
| Other Fees (acquisition costs)                                                                    | (264)        | (564)        | <b>(469)</b>  | 17%          | 78%        | (1,101)      | <b>(1,033)</b> | (6%)       |
| Securities-Realized Gains                                                                         | 18           | 12           | <b>(5)</b>    | (140%)       | (127%)     | 19           | <b>7</b>       | (61%)      |
| Other Operating Income (Expenses)                                                                 | 284          | 228          | <b>172</b>    | (25%)        | (40%)      | 433          | <b>400</b>     | (8%)       |
| <b>Total Operating Income</b>                                                                     | <b>1,013</b> | <b>1,592</b> | <b>1,222</b>  | <b>(23%)</b> | <b>21%</b> | <b>2,561</b> | <b>2,814</b>   | <b>10%</b> |
| Non Interest Expense                                                                              | 226          | 322          | <b>252</b>    | (22%)        | 11%        | 461          | <b>574</b>     | 24%        |
| <b>Operating Income</b>                                                                           | <b>534</b>   | <b>1,270</b> | <b>970</b>    | <b>(24%)</b> | <b>82%</b> | <b>2,100</b> | <b>2,241</b>   | <b>7%</b>  |
| Taxes                                                                                             | 239          | 384          | <b>295</b>    | (23%)        | 23%        | 636          | <b>678</b>     | 7%         |
| Subsidiaries' Net Income                                                                          | (0)          | 369          | <b>316</b>    | (14%)        | N.A.       | (0)          | <b>685</b>     | N.A.       |
| Minority Interest                                                                                 | (1)          | (8)          | <b>(7)</b>    | 9%           | N.A.       | (2)          | <b>(15)</b>    | N.A.       |
| <b>Net Income</b>                                                                                 | <b>547</b>   | <b>1,247</b> | <b>985</b>    | <b>(21%)</b> | <b>80%</b> | <b>1,462</b> | <b>2,232</b>   | <b>53%</b> |
| Shareholder's Equity                                                                              | 5,689        | 21,346       | <b>22,091</b> | 3%           | N.A.       | 5,689        | <b>22,091</b>  | N.A.       |
| Total Assets                                                                                      | 28,567       | 46,137       | <b>49,353</b> | 7%           | 73%        | 28,567       | <b>49,353</b>  | 73%        |
| Technical Reserves                                                                                | 16,472       | 18,623       | <b>20,346</b> | 9%           | 24%        | 16,472       | <b>20,346</b>  | 24%        |
| Premiums sold                                                                                     | 3,361        | 7,727        | <b>6,185</b>  | (20%)        | 84%        | 12,144       | <b>13,912</b>  | 15%        |
| Coverage ratio of technical reserves                                                              | 1.3          | 1.3          | <b>1.3</b>    | 0.0 pp       | 0.0 pp     | 1.3          | <b>1.3</b>     | 0.1 pp     |
| Capital coverage ratio of minimum guarantee                                                       | 1.8          | 2.6          | <b>3.0</b>    | 0.4 pp       | 1.1 pp     | 1.8          | <b>3.0</b>     | 1.1 pp     |
| Coverage ratio of minimum capital                                                                 | 61.0         | 228.8        | <b>229.2</b>  | 0.4 pp       | 168.2 pp   | 61.0         | <b>229.2</b>   | 168.2 pp   |
| Claims ratio                                                                                      | 74%          | 58%          | <b>68%</b>    | 9.9 pp       | (6.0 pp)   | 60%          | <b>63%</b>     | 3.0 pp     |
| Combined ratio                                                                                    | 81%          | 67%          | <b>77%</b>    | 10.2 pp      | (3.9 pp)   | 70%          | <b>72%</b>     | 2.1 pp     |
| ROE                                                                                               | 39.7%        | 24.3%        | <b>18.4%</b>  | (5.9 pp)     | (21.3 pp)  | 50.6%        | <b>21.3%</b>   | (29.4 pp)  |
| ROE ex-Afore                                                                                      | 39.7%        | 57.0%        | <b>38.8%</b>  | (18.2 pp)    | (0.9 pp)   | 50.6%        | <b>47.4%</b>   | (3.2 pp)   |

**Operating Income stood at Ps 2.24 billion in 1H17, +7% larger than the prior year, driven by improvement in Net Interest Income and lower Acquisition Costs. Operating Income in 2Q17 amounted to Ps 970 million, (24%) below sequentially, mainly on the seasonality effect in Premium Income, as in the first quarter of the year issuances are seasonally high due to renewals of large insurance policies.**

Even though insurance claims and damages increased, the deterioration rate is lower than the one recorded in prior periods. The increase in claims in the quarter continues to be largely explained by higher than normal claims in the auto book, which have increased across the industry on the back of larger theft and higher prices of spare parts of vehicles and transportation.

**Seguros Banorte** (including *Afore XXI Banorte*) reported net income of Ps 2.23 billion in 1H17, +53% higher YoY and in 2Q17 declined (21%) to Ps 985 million.

Excluding *Afore XXI Banorte*, the Insurance Company's profits in the first semester totaled Ps 1.56 billion and Ps 674 million in the second quarter, accounting for 13.9% and 11.9% of GFNorte's net income, respectively.

ROE for the insurance company was 18.4% in 2Q17, sequentially (5.9 pp) below. Excluding *Afore*, this indicator stands at 38.8%, (18.2 pp) lower QoQ, and at 47.4% in 1H17, (3.2 pp) lower YoY.

Regarding the disclosure requested by the General Provisions applicable to Financial Groups' holding companies, for this reporting period:

- i. Risks assumed through the issuance of insurance premiums and bonds, with respect to operations and authorized branches of cancelled operations.
  - No cancellations were registered during 2Q17 that involved any technical risk.
- ii. Damages and claims, as well as the fulfillment with reinsurers and bonding companies according to their participation.
  - In 2Q17 damage ratios remained under control.
- iii. Costs derived from placement of insurance policies and bonds.
  - There were no relevant events to disclose in 2Q17.
- iv. Transfer of risks through reinsurance and bonding contracts
  - In the Damages and Life books, eight important businesses: four related to the government, two to the manufacturing industry, and other two the services industry, were ceded to reinsurers, mainly foreign entities.
- v. Contingencies arising from non-fulfillment by reinsurers and bonding companies.
  - In April the Superintendency of Panama announced the forced liquidation of Istmo Panamá. Currently, Seguros Banorte has an outstanding balance to recover from Istmo Panamá of Ps 4.5 million and a contingency of Ps 276 million from Istmo México.

### Afore XXI Banorte

| Afore XXI Banorte (1)<br>(Million Pesos) | 2Q16    | 1Q17    | 2Q17    | Change   |        | 1H16    | 1H17    | Change |
|------------------------------------------|---------|---------|---------|----------|--------|---------|---------|--------|
|                                          |         |         |         | 1Q17     | 2Q16   |         |         | 1H16   |
| Net Income                               | 621     | 737     | 632     | (14%)    | 2%     | 1,269   | 1,370   | 8%     |
| Shareholder's Equity                     | 22,736  | 22,446  | 23,078  | 3%       | 2%     | 22,736  | 23,078  | 2%     |
| Total Assets                             | 23,983  | 23,787  | 24,500  | 3%       | 2%     | 23,983  | 24,500  | 2%     |
| AUM (SIEFORE)*                           | 647,090 | 670,135 | 689,867 | 3%       | 7%     | 647,090 | 689,867 | 7%     |
| ROE                                      | 11.1%   | 12.7%   | 11.1%   | (1.6 pp) | 0.0 pp | 11.1%   | 11.8%   | 0.7 pp |

1) The results up to 3Q16, were presented on Banco Mercantil del Norte's results through participation method; as of 4Q16, results are reported in Seguros Banorte, through participation method. For sector comparisons, Afore XXI Banorte's results are shown at 100% in this chart.

**Afore XXI Banorte posted net profits of Ps 1.37 billion in the first half of 2017**, up +8% vs. 1H16, explained by the positive evolution of financial income coming from the mark to market capital investment in the SIEFORES (+174% YoY). **In 2Q17 net income totaled Ps 632 million**, (14%) lower QoQ on higher operating costs.

**ROE for Afore XXI Banorte for 1H17 was 11.8%**, higher in +71bp YoY, and **for 2Q17 stood at 11.1%**, sequentially (1.6 pp) lower. Excluding goodwill, **Tangible ROE was 42.7% in 1H17**, +95bp higher YoY and **in 2Q17 was 42.2%**, (3.5 pp) lower vs. 1Q17.

**Afore XXI Banorte contributed with 6.0% of the Financial Group's profits in 1H17 and with 5.5% in 2Q17**, decreasing in both cases vs. the 6.9% and 6.0% of 1H16 and 1Q17, respectively.

Assets under management as of June 2017 totaled Ps 689.87 billion, an increase of +3% and +7% QoQ and YoY, respectively.

According to CONSAR, as of June 2017 Afore XXI Banorte had a 23.1% share in managed funds, ranking 1<sup>st</sup> in the market, with 9.62 million accounts (this number does not include 8.0 million accounts managed by Afore XXI with resources deposited in Banco de Mexico), which represent a 19.0% share of the total number of accounts in the system, ranking second in the market.

## Pensiones Banorte

| Income Statement and Balance Sheet<br>Highlights - Insurance - Pensiones Banorte<br>(Million Pesos) | 2Q16       | 1Q17       | 2Q17          | Change       |              | 1H16       | 1H17           |
|-----------------------------------------------------------------------------------------------------|------------|------------|---------------|--------------|--------------|------------|----------------|
|                                                                                                     |            |            |               | 1Q17         | 2Q16         |            |                |
| <b>Interest Income (Net)</b>                                                                        | 331        | 2,864      | <b>1,071</b>  | (63%)        | N.A.         | 1,840      | <b>3,935</b>   |
| Premium Income (Net)                                                                                | 2,069      | 1,979      | <b>2,354</b>  | 19%          | 14%          | 3,561      | <b>4,333</b>   |
| Net Increase in Technical Reserves                                                                  | 1,203      | 3,623      | <b>2,191</b>  | (40%)        | 82%          | 3,073      | <b>5,814</b>   |
| Claims and Other Obligations                                                                        | 940        | 981        | <b>1,043</b>  | 6%           | 11%          | 1,827      | <b>2,024</b>   |
| <b>Technical Results</b>                                                                            | (74)       | (2,626)    | <b>(880)</b>  | 66%          | N.A.         | (1,339)    | <b>(3,506)</b> |
| <b>Net Interest Income (NII)</b>                                                                    | <b>257</b> | <b>238</b> | <b>191</b>    | <b>(20%)</b> | <b>(26%)</b> | <b>501</b> | <b>429</b>     |
| Net Fees                                                                                            | -          | -          | -             | N.A.         | N.A.         | -          | -              |
| Securities-Realized Gains                                                                           | 37         | 89         | <b>146</b>    | 65%          | N.A.         | 41         | <b>235</b>     |
| Other Operating Income (Expenses)                                                                   | 2          | (2)        | <b>(4)</b>    | (141%)       | N.A.         | 0          | <b>(6)</b>     |
| <b>Total Operating Income</b>                                                                       | <b>295</b> | <b>325</b> | <b>333</b>    | <b>2%</b>    | <b>13%</b>   | <b>542</b> | <b>658</b>     |
| Non Interest Expense                                                                                | 78         | 78         | <b>77</b>     | (1%)         | (1%)         | 146        | 155            |
| <b>Operating Income</b>                                                                             | <b>218</b> | <b>247</b> | <b>255</b>    | <b>3%</b>    | <b>17%</b>   | <b>397</b> | <b>502</b>     |
| Taxes                                                                                               | 70         | 75         | <b>67</b>     | (10%)        | (4%)         | 128        | 141            |
| Subsidiaries' Net Income                                                                            | 1          | 1          | <b>1</b>      | 2%           | 27%          | 2          | 3              |
| Minority Interest                                                                                   | -          | -          | -             | N.A.         | N.A.         | -          | -              |
| <b>Net Income</b>                                                                                   | <b>149</b> | <b>174</b> | <b>190</b>    | <b>9%</b>    | <b>28%</b>   | <b>271</b> | <b>364</b>     |
| Shareholder's Equity                                                                                | 1,868      | 2,320      | <b>2,513</b>  | 8%           | 35%          | 1,868      | <b>2,513</b>   |
| Total Assets                                                                                        | 72,595     | 81,517     | <b>84,023</b> | 3%           | 16%          | 72,595     | <b>84,023</b>  |
| Technical Reserves                                                                                  | 69,877     | 78,241     | <b>80,488</b> | 3%           | 15%          | 69,877     | <b>80,488</b>  |
| Premiums sold                                                                                       | 2,069      | 1,979      | <b>2,354</b>  | 19%          | 14%          | 3,561      | <b>4,333</b>   |
| Coverage ratio of technical reserves                                                                | 1.0        | 1.0        | <b>1.0</b>    | 0.0 pp       | 0.0 pp       | 1.0        | <b>1.0</b>     |
| Coverage ratio of minimum capital                                                                   | 12.4       | 15.4       | <b>16.1</b>   | 0.0 pp       | 0.3 pp       | 12.4       | <b>16.1</b>    |
| ROE                                                                                                 | 32.9%      | 31.1%      | <b>31.4%</b>  | 0.3 pp       | (1.5 pp)     | 31.0%      | <b>23.4%</b>   |

During 1H17, Pensiones Banorte reported profits of Ps 364 million, +34% higher YoY, driven by financial income (+Ps 194 million) and higher income from the inflation indexed investment book.

Moreover, in 2Q17 the annuities company's net income totaled Ps 190 million, up +9% vs. 1Q17, as result of the significant reduction in Technical Reserves, the continuous increase in financial income and lower taxes.

In 1H17 Pensiones Banorte's profits represented 3.2% and 3.3% in 2Q17 of the Financial Group's profits.

The UDI valuation result registered at Pensiones Banorte in 1H17 was Ps 2.32 billion compared to Ps 338 million in 1H16; while this number stood at Ps 278 million in 2Q17, in contrast to the Ps 2.05 billion amount registered in 1Q17.

ROE stood at 31.3% 1H17 and at 31.4% in 2Q17, in both cases comparing favorably by +24bp vs. 1H16 and +26bp vs. 1Q17

## Brokerage

| Brokerage Sector<br>(Million Pesos) | 2Q16    | 1Q17    | 2Q17           | Change   |        | 1H16    | 1H17           | Change<br>1H16 |
|-------------------------------------|---------|---------|----------------|----------|--------|---------|----------------|----------------|
|                                     |         |         |                | 1Q17     | 2Q16   |         |                |                |
| Net Income                          | 221     | 287     | <b>234</b>     | (18%)    | 6%     | 430     | <b>522</b>     | 21%            |
| Shareholder's Equity                | 3,065   | 3,019   | <b>2,708</b>   | (10%)    | (12%)  | 3,065   | <b>2,708</b>   | (12%)          |
| Assets Under Custody                | 800,420 | 791,671 | <b>828,254</b> | 5%       | 3%     | 800,420 | <b>828,254</b> | 3%             |
| Total Assets                        | 107,711 | 109,700 | <b>93,828</b>  | (14%)    | (13%)  | 107,711 | <b>93,828</b>  | (13%)          |
| ROE                                 | 26.7%   | 39.8%   | <b>32.8%</b>   | (7.1 pp) | 6.0 pp | 26.0%   | <b>36.9%</b>   | 10.9 pp        |
| <b>Net Capital</b>                  |         |         |                |          |        |         |                |                |
| Net Capital (1)                     | 2,355   | 2,338   | <b>2,168</b>   | (7%)     | (8%)   | 2,355   | <b>2,168</b>   | (8%)           |

1) Net capital structure: Tier 1 =Ps 2.17 billion, Tier 2 = Ps 0 million.

### Net Income

The Brokerage Sector (Casa de Bolsa Banorte Ixe and Operadora de Fondos Banorte Ixe) reported profits of Ps 522 million in 1H17, +21% YoY driven by the important increase in net interest income, slightly better non-interest income and stable expenses. Net Income in 1H17 represented 6.1% of the Financial Group's profits.

In 2Q17, net profits accounted for Ps. 234 million, (18%) lower QoQ on the back of lower net interest income and lower trading. Fees had a good performance during the quarter and were up +17%, while, operating expenses declined (4%).

### Assets under Management

At the end of 2Q17 AUMs totaled Ps 828 billion, growing +3% YoY and +5% QoQ.

Mutual fund assets totaled Ps 157.9 billion, increasing by +3.2% YoY and +5.5% QoQ. Assets held in fixed income funds totaled Ps 145 billion, higher in +4.4% annually and +5.8% quarterly, while equity funds held assets amounting to Ps 13.2 billion, decreasing (8%) vs. the same period of last year and increasing +2% vs. 1Q17. At the end of 2Q17, Banorte had a 7.6% share of the mutual fund market, comprised of 9.6% in fixed income funds and 2.3% in equity funds.

## SOFOM & Other Finance Companies

| SOFOM & Other Finance Companies<br>(Million Pesos) | 2Q16   | 1Q17   | 2Q17          | Change   |          | 1H16   | 1H17          | Change   |
|----------------------------------------------------|--------|--------|---------------|----------|----------|--------|---------------|----------|
|                                                    |        |        |               | 1Q17     | 2Q16     |        |               | 1H16     |
| <b>Leasing and Factoring</b>                       |        |        |               |          |          |        |               |          |
| Net Income                                         | 153    | 182    | <b>178</b>    | (2%)     | 17%      | 310    | <b>360</b>    | 16%      |
| Shareholder's Equity                               | 4,098  | 4,664  | <b>4,742</b>  | 2%       | 16%      | 4,098  | <b>4,742</b>  | 16%      |
| Loan Portfolio (1)                                 | 25,636 | 26,261 | <b>26,295</b> | 0%       | 3%       | 25,636 | <b>26,295</b> | 3%       |
| Past Due Loans                                     | 210    | 190    | <b>144</b>    | (24%)    | (31%)    | 210    | <b>144</b>    | (31%)    |
| Loan Loss Reserves                                 | 283    | 318    | <b>331</b>    | 4%       | 17%      | 283    | <b>331</b>    | 17%      |
| Total Assets                                       | 25,629 | 26,534 | <b>26,606</b> | 0%       | 4%       | 25,629 | <b>26,606</b> | 4%       |
| ROE                                                | 14.3%  | 16.0%  | <b>15.1%</b>  | (0.8 pp) | 0.9 pp   | 14.5%  | <b>15.6%</b>  | 1.1 pp   |
| <b>Warehousing</b>                                 |        |        |               |          |          |        |               |          |
| Net Income                                         | 7      | 7      | <b>14</b>     | 89%      | 96%      | 14     | <b>21</b>     | 51%      |
| Shareholder's Equity                               | 260    | 191    | <b>205</b>    | 7%       | (21%)    | 260    | <b>205</b>    | (21%)    |
| Inventories                                        | 951    | 399    | <b>1,309</b>  | 228%     | 38%      | 951    | <b>1,309</b>  | 38%      |
| Total Assets                                       | 1,112  | 535    | <b>1,489</b>  | 178%     | 34%      | 1,112  | <b>1,489</b>  | 34%      |
| ROE                                                | 11.1%  | 15.7%  | <b>28.0%</b>  | 12.3 pp  | 16.9 pp  | 11.1%  | <b>22.0%</b>  | 10.9 pp  |
| <b>Sólida Administradora de Portafolios</b>        |        |        |               |          |          |        |               |          |
| Net Income                                         | (32)   | (635)  | <b>(104)</b>  | (84%)    | 223%     | (259)  | <b>(738)</b>  | 185%     |
| Shareholder's Equity                               | 5,084  | 3,419  | <b>3,999</b>  | 17%      | (21%)    | 5,084  | <b>3,999</b>  | (21%)    |
| Loan Portfolio                                     | 2,115  | 1,701  | <b>5,229</b>  | 207%     | 147%     | 2,115  | <b>5,229</b>  | 147%     |
| Past Due Loans                                     | 86     | 60     | <b>76</b>     | 26%      | (12%)    | 86     | <b>76</b>     | (12%)    |
| Loan Loss Reserves                                 | 151    | 112    | <b>289</b>    | 158%     | 91%      | 151    | <b>289</b>    | 91%      |
| Total Assets                                       | 16,152 | 13,853 | <b>17,134</b> | 24%      | 6%       | 16,152 | <b>17,134</b> | 6%       |
| <b>Ixe Servicios</b>                               |        |        |               |          |          |        |               |          |
| Net Income                                         | 0.6    | (0.5)  | <b>(0.4)</b>  | (34%)    | (165%)   | 0.5    | <b>(0.9)</b>  | (281%)   |
| Shareholder's Equity                               | 146    | 140    | <b>140</b>    | (0%)     | (4%)     | 146    | <b>140</b>    | (4%)     |
| Total Assets                                       | 146    | 140    | <b>140</b>    | (0%)     | (4%)     | 146    | <b>140</b>    | (4%)     |
| ROE                                                | 1.5%   | (1.6%) | <b>(1.0%)</b> | 0.5 pp   | (2.6 pp) | 0.7%   | <b>(1.3%)</b> | (2.0 pp) |

1) Includes pure leasing portfolio for Ps 3.06 billion and fixed asset amounting to Ps 46 million, both registered in property, furniture and equipment (net).

### Leasing and Factoring

**Arrendadora y Factor Banorte reported profits of Ps 360 million in 1H17, up +16% YoY**, enhanced by an increase in net interest income arising from the expansion in its loan book. Net profits declined (2%) sequentially, on higher interest expenses.

The Leasing and Factoring Company contributed 3.2% of the Financial Group's profits in 2Q17.

At the end of 2Q17, the **Past Due Loans Ratio was 0.6%**, and the **Coverage ratio was 230**. The **estimated Capitalization ratio as of June was 15.7%** considering total risk-weighted assets of Ps 30.14 billion.

The leverage ratio as of March and June 2017, was 15.41% and 15.54%, respectively; considering adjusted assets of Ps 30.14 billion and Ps 30.39 billion in each case.

## Warehouse

**In 1H17, Warehouse posted profits of Ps 21 million, a +51% increases vs. 1H16** on higher loan recoveries, other operating income and net interest income. On a quarterly basis, it went up +89% as a result of higher loan recoveries. Almacenadora Banorte contributed 0.2% of the Financial Group's profits in 2Q17.

**ROE for 2Q17 was 28%**, higher in +15 pp and +17 pp vs. 1Q17 and 2Q16, respectively.

**At the end of 2Q17, the Capitalization Ratio was 146%** considering net capital of Ps 161 million and certificates for sale issued in warehouses of Ps 2.217 billion. Almacenadora Banorte ranks third among the 14 warehouses of this sector in terms of profits generated.

## Sólida Administradora de Portafolios

**Sólida Administradora de Portafolios reported a loss of (Ps 738) million**, explained by the valuation loss on derivatives related to the equity securities received from the restructuring agreements with the homebuilders.

**Sólida posted a net loss of (Ps 104) million in 2Q17**, mainly reflecting a larger requirements for loan loss reserves on the payroll portfolio.

**The Past Due Loan Ratio was 1.5% at the end of June 2017**, improving (2 pp) vs. 1Q17. **The Coverage ratio was 380.9%**, +205 pp higher YoY. **The estimated Capitalization ratio in 2Q17 was 13.4%**, considering total risk-weighted assets of Ps 19.96 billion.

The leverage ratio as of March and June 2017, was 15.17% and 16.83%, respectively; considering adjusted assets of Ps 12.55 billion and Ps 15.89 billion in each case.

## Recovery Banking

### Income Statement Highlights - Recovery Banking

| (Million Pesos)               | 1H16       | 1H17       | Var. Vs. 1S16 |
|-------------------------------|------------|------------|---------------|
| Net Interest Income           | 8          | (7)        | (180%)        |
| Loan Loss Provisions          | 0          | 0          | 22%           |
| Non Interest Income           | 1,110      | 1,288      | 16%           |
| Non Interest Expense          | (496)      | (568)      | 15%           |
| Pre-tax Income & Subsidiaries | 622        | 713        | 15%           |
| Income Tax and Profit Sharing | (176)      | (204)      | 16%           |
| <b>Net Income</b>             | <b>446</b> | <b>509</b> | <b>14%</b>    |

| Assets Under Management<br>(Million Pesos) | 2Q17           | ACCOUNTING IN THE<br>BALANCE SHEET         | ACCOUNTING IN THE INCOME<br>STATEMENT                                  |
|--------------------------------------------|----------------|--------------------------------------------|------------------------------------------------------------------------|
| <b>Banking Sector Portfolio- Banorte:</b>  | <b>113,375</b> | Banorte's Portfolio and Repossessed Assets | Net Interest Income and Other Revenues and Expenses                    |
| <b>Loans purchased and managed:</b>        | <b>27,729</b>  | Solida Asset Management and Banorte        | Non Interest Income and Other Revenues and Expenses (Sólida / Banorte) |
| <b>Investment Projects:</b>                | <b>5,862</b>   | Solida Asset Management and Banorte        | Non Interest Income                                                    |
| <b>Total</b>                               | <b>146,966</b> |                                            |                                                                        |

### Net Income

**Recovery Banking posted profits of Ps 509 million in 2Q17**, up +14% YoY, on higher revenues coming from loan recoveries by Ps 198 million as well as an increase in revenue from sale foreclosed assets for Ps 22 million.

### Assets Under Management

**The Recovery Bank managed total assets of Ps 113 billion in 2Q17**, of which 27% are mortgage loans, 20% are credit cards, 18% are payroll loans, 17% relate to Crediactivo, 7% are foreclosed assets, 6% are auto loans, 3% relate to middle market companies and 2% to other loans. Gross revenues in 2Q17 amounted to Ps 902 million, +29% higher YoY.

The composition of the inventory of **assets managed by the Recovery Bank** include mortgages which make up 39% , 19% were assets managed on behalf of the Mexican mortgages agency SHF, 16% were real estate portfolios, 14% were loans to middle market companies and other commercial loans, and 12% were foreclosed assets and payments in kind. Gross income from these portfolios was Ps 309 million in 2Q17, (13%) lower YoY.

## III. General Information

### Infrastructure

| INFRASTRUCTURE         | 2Q16    | 1Q17    | 2Q17           |
|------------------------|---------|---------|----------------|
| Employees (1)          | 27,323  | 27,572  | <b>28,376</b>  |
| Banorte - Ixe Branches | 1,173   | 1,139   | <b>1,143</b>   |
| ATM's                  | 7,631   | 7,242   | <b>7,409</b>   |
| POS's                  | 156,262 | 153,322 | <b>157,019</b> |

### GFNorte's Analyst Coverage

In compliance with the BOLSA MEXICANA DE VALORES, S.A.B. DE C.V requirement, the information of Brokers that have analyst coverage to:

TICKER: GFNORTEO

| BROKER               | ANALYST             | RECOMMENDATION | DATE      |
|----------------------|---------------------|----------------|-----------|
| Actinver             | Enrique Mendoza     | Buy            | 27-Apr-17 |
| Barclays             | Benjamín Theurer    | Buy            | 28-Oct-16 |
| BBVA                 | Germán Velasco      | Buy            | 13-Feb-17 |
| Brasil Plural        | Eduardo Nishio      | Buy            | 27-Jan-17 |
| BTG Pactual          | Eduardo Rosman      | Buy            | 27-Apr-17 |
| BX+                  | José Eduardo Coello | Buy            | 27-Jan-17 |
| Citi                 | Carlos Rivera       | Buy            | 27-Apr-17 |
| Credit Suisse        | Marcelo Telles      | Buy            | 28-Apr-17 |
| GBM                  | Lilian Ochoa        | Buy            | 14-Dec-16 |
| HSBC                 | Carlos Gómez        | Buy            | 27-Jan-17 |
| Invex                | -----               | Buy            | 19-Sep-16 |
| Itaú BBA             | Thiago Batista      | Buy            | 27-Apr-17 |
| JP Morgan            | Domingos Falavina   | Buy            | 27-Apr-17 |
| Morgan Stanley       | Jorge Kuri          | Buy            | 5-May-17  |
| Santander            | Claudia Benavente   | Buy            | 2-May-17  |
| UBS                  | Philip Finch        | Buy            | 27-Jan-17 |
| Bradesco             | Bruno Chemmer       | Hold           | 10-Feb-17 |
| BOFA - Merrill Lynch | Mario Pierry        | Hold           | 27-Apr-17 |
| Deutsche Bank        | Tito Labarta        | Hold           | 27-Apr-17 |
| Goldman Sachs        | Carlos Macedo       | Hold           | 17-Apr-17 |
| Intercam             | Sofía Robles        | Hold           | 27-Jan-17 |
| Nau                  | Iñigo Vega          | Hold           | 20-Jun-17 |
| Punto                | Ana María Telleria  | Hold           | 31-Mar-17 |
| Scotia               | Jason Mollin        | Sell           | 28-Apr-17 |

### Ratings

| International Ratings - GFNorte |                              |                |                                                       |                 |
|---------------------------------|------------------------------|----------------|-------------------------------------------------------|-----------------|
| Rating Agency                   | Rated Institutions           | Rating         | Category                                              | Date            |
| Standard & Poor's               | Banco Mercantil del Norte    | Negative       | Outlook                                               | March, 2017     |
|                                 |                              | BBB+           | Counterparty credit - Long term foreign currency      |                 |
|                                 |                              | BBB+           | Counterparty credit - Long term local currency        |                 |
|                                 |                              | A-2            | Counterparty credit - Short term foreign currency     |                 |
|                                 |                              | A-2            | Counterparty credit - Short term local currency       |                 |
|                                 |                              | BBB            | Senior Unsecured Notes                                |                 |
|                                 |                              | BB             | Subordinated Junior Notes (from the merged Ixe Banco) |                 |
| Fitch                           | Grupo Financiero Banorte     | Negative       | Outlook                                               | March, 2017     |
|                                 |                              | bbb+           | Viability                                             |                 |
|                                 |                              | BBB+           | Long term foreign currency (IDR'S)                    |                 |
|                                 |                              | F2             | Short term foreign currency (IDR'S)                   |                 |
|                                 |                              | 5              | Support Rating-GFNorte                                |                 |
|                                 |                              | NF (Not Floor) | Support Rating Floor - GFNorte                        |                 |
|                                 | Banco Mercantil del Norte    | Negative       | Outlook                                               |                 |
|                                 |                              | bbb+           | Viability                                             |                 |
|                                 |                              | BBB+           | Long term foreign currency                            |                 |
|                                 |                              | F2             | Short term foreign Currency                           |                 |
|                                 |                              | C              | Individual - Foreign Currency                         |                 |
| Moody's                         | Banco Mercantil del Norte    | BBB-           | Support Rating Floor                                  | September, 2016 |
|                                 |                              | 2              | Support Rating - Banco Mercantil del Norte            |                 |
|                                 |                              | BB+ (EXP)      | Long term foreign currency subordinated debt          |                 |
|                                 |                              | BB             | Subordinated Junior Notes (from the merged Ixe Banco) |                 |
|                                 |                              | Negative       | Outlook BFSR                                          |                 |
|                                 |                              | baa2           | Baseline Credit Assessment                            |                 |
|                                 |                              | Negative       | Outlook                                               |                 |
|                                 |                              | A3             | Long term local currency deposits*                    |                 |
|                                 |                              | A3             | Long term foreign currency deposits                   |                 |
|                                 |                              | P-2            | Short term local currency deposits*                   |                 |
|                                 |                              | P-2            | Short term foreign currency deposits                  |                 |
|                                 |                              | A3             | Long term foreign currency senior debt*               |                 |
|                                 |                              | Baa3           | Long term local currency subordinated debt            |                 |
|                                 |                              | Baa2 (hyb)     | Long term foreign currency subordinated debt          |                 |
|                                 |                              | Ba1 (hyb)      | Long term local currency junior subordinated debt     |                 |
|                                 |                              | (P)Ba1 (hyb)   | Long term foreign currency subordinated debt          |                 |
|                                 | Arrendadora y Factor Banorte | Ba1            | Long term foreign currency junior subordinated debt   | November, 2016  |
|                                 |                              | baa2           | Adjusted baseline credit assesment                    |                 |
|                                 |                              | A2 (cr)        | Long term counterparty risk assesment                 |                 |
|                                 |                              | Prime-1 (cr)   | Short term counterparty risk assesment                |                 |
|                                 |                              | Stable         | Outlook                                               |                 |
|                                 | Arrendadora y Factor Banorte | (P)P-2         | Short term local currency issuer                      | November, 2016  |
|                                 |                              | (P)P-2         | Short term local currency senior debt                 |                 |

## Domestic Ratings - GFNorte

| Rating Agency     | Rated Institutions           | Rating     | Category                                        | Date            |
|-------------------|------------------------------|------------|-------------------------------------------------|-----------------|
| Standard & Poor's | Banco Mercantil del Norte    | Stable     | Outlook                                         | March, 2017     |
|                   |                              | mxA-1+     | National Scale Counterparty credit - Short term |                 |
|                   |                              | mxAAA      | National Scale Counterparty - Long term         |                 |
|                   | Casa de Bolsa Banorte Ixe    | Stable     | Outlook                                         |                 |
|                   |                              | mxA-1+     | National Scale Counterparty credit - Short term |                 |
|                   |                              | mxAAA      | National Scale Counterparty credit - Long term  |                 |
| Fitch             | Banco Mercantil del Norte    | Stable     | Outlook                                         | March, 2017     |
|                   |                              | AAA (mex)  | National Scale Counterparty - Long term         |                 |
|                   |                              | F1+ (mex)  | National Scale Counterparty - Short term        |                 |
|                   |                              | F1 + (mex) | Depo. Certi. y P.R.L.V. short Term              |                 |
|                   |                              | AA+ (mex)  | Depo. Certi. y P.R.L.V. long term               |                 |
|                   | Casa de Bolsa Banorte Ixe    | Stable     | Outlook                                         |                 |
|                   |                              | F1+ (mex)  | National Scale - Short term                     |                 |
|                   |                              | AAA (mex)  | National Scale - Long term                      |                 |
|                   | Arrendadora y Factor Banorte | F1+ (mex)  | National Scale Counterparty - Short term        |                 |
|                   |                              | AAA (mex)  | National Scale Counterparty - Long term         |                 |
|                   |                              | F1+ (mex)  | National Scale - Unsecured Debt - Short term    |                 |
|                   |                              | AAA (mex)  | National Scale - Unsecured Debt - Long term     |                 |
|                   | Almacenadora Banorte         | F1+ (mex)  | National Scale Counterparty - Short term        |                 |
|                   |                              | AAA (mex)  | National Scale Counterparty - Long term         |                 |
|                   | Pensiones Banorte            | Stable     | Outlook                                         |                 |
|                   |                              | AAA (mex)  | National Scale                                  |                 |
|                   | Seguros Banorte              | Stable     | Outlook                                         |                 |
|                   |                              | AAA (mex)  | Financial Strenght                              |                 |
| Moody's           | Banco Mercantil del Norte    | Negative   | Outlook                                         | June, 2016      |
|                   |                              | Aaa.mx     | National Scale - Long term deposits             |                 |
|                   |                              | MX-1       | National Scale - Short term deposits            |                 |
|                   |                              | Aa3.mx     | Subordinated debt - Long term                   |                 |
|                   |                              | A1.mx      | Junior Subordinated debt - Long term            |                 |
|                   |                              |            |                                                 |                 |
|                   | Arrendadora y Factor Banorte | Stable     | Outlook                                         | Noviembre, 2016 |
|                   |                              | MX-1       | National Scale - Short term issuer              |                 |
|                   |                              | Aa2.mx     | National Scale - Long term senior debt*         |                 |
|                   |                              | MX-1       | National Scale - Short term senior debt         |                 |
| HR Ratings        | Banco Mercantil del Norte    | Stable     | Outlook                                         | May, 2016       |
|                   |                              | HR AAA     | Long term debt                                  |                 |
|                   |                              | HR+1       | Short term debt                                 |                 |
|                   |                              | HR AA+     | Subordinated Debt Preferential                  |                 |

## Ownership on Subsidiaries

| GFNorte Ownership of Subsidiaries                         | 2Q17   |
|-----------------------------------------------------------|--------|
| Banco Mercantil del Norte, S.A.                           | 98.22% |
| Arrendadora y Factor Banorte, S.A. de C.V., SOFOM         | 99.99% |
| Almacenadora Banorte, S.A. de C.V.                        | 99.99% |
| Casa de Bolsa Banorte Ixe, S.A. de C.V.                   | 99.99% |
| Operadora de Fondos Banorte Ixe, S.A. de C.V.             | 99.99% |
| Ixe Servicios, S.A. de C.V.                               | 99.99% |
| Sólida Administradora de Portafolios, S.A. de C.V., SOFOM | 99.37% |
| Banorte Ahorro y Previsión, S.A. de C.V.                  | 99.99% |

## Holding Company Capital Structure

| Number of Shares (Million)        | SERIES O<br>As of June 2017 |
|-----------------------------------|-----------------------------|
| Number of Issued Shares           | 2,773.73                    |
| Number of Shares Outstanding      | 2,773.73                    |
| Shares held in GFNorte's Treasury | 0                           |

## Group's Main Officers

| Group's Main Officers 2Q17       |                                                   |
|----------------------------------|---------------------------------------------------|
| Name                             | Current Position                                  |
| José Marcos Ramírez Miguel       | Chief Executive Officer, Grupo Financiero Banorte |
| <b>BUSINESS UNITS</b>            |                                                   |
| Armando Rodal Espinosa           | Managing Director – Wholesale Banking             |
| Carlos Eduardo Martínez González | Managing Director – Retail Banking                |
| Manuel Romo Villafuerte          | Managing Director – Consumer Products             |
| Fernando Solís Soberón           | Managing Director – Long Term Savings             |
| <b>STAFF</b>                     |                                                   |
| Rafael Arana de la Garza         | Chief Operating Officer & Chief Financial Officer |
| Guillermo Chávez Eckstein        | Chief Credit & Risk Officer                       |
| Isaías Velázquez González        | Managing Director - Internal Audit                |

## Integration of the Board of Directors

Board of Directors for the fiscal year 2017, appointed and approved in the Annual General Shareholders' Meeting held on April 28, 2017.

### Grupo Financiero Banorte

#### Board of Directors

##### PROPRIETARY

|                                              |             |
|----------------------------------------------|-------------|
| Carlos Hank González                         | Chairman    |
| Juan Antonio González Moreno                 |             |
| David Juan Villarreal Montemayor             |             |
| José Marcos Ramírez Miguel                   |             |
| Everardo Elizondo Almaguer                   | Independent |
| Carmen Patricia Armendáriz Guerra            | Independent |
| Héctor Federico Reyes-Retana y Dahl          | Independent |
| Eduardo Livas Cantú                          | Independent |
| Alfredo Elías Ayub                           | Independent |
| Adrián Sada Cueva                            | Independent |
| Alejandro Burillo Azcárraga                  | Independent |
| José Antonio Chedraui Eguía                  | Independent |
| Alfonso de Angoitia Noriega                  | Independent |
| Olga María del Carmen Sánchez Cordero Dávila | Independent |
| Thomas Stanley Heather Rodríguez             | Independent |

##### SUBSTITUTE

|                                             |             |
|---------------------------------------------|-------------|
| Graciela González Moreno                    |             |
| Juan Antonio González Marcos                |             |
| Carlos de la Isla Corry                     |             |
| Clemente Ismael Reyes Retana Valdés         | Independent |
| Alberto Halabe Hamui                        | Independent |
| Manuel Aznar Nicolás                        | Independent |
| Roberto Kelleher Vales                      | Independent |
| Robert William Chandler Edwards             | Independent |
| Isaac Becker Kabacnik                       | Independent |
| José María Garza Treviño                    | Independent |
| Javier Braun Burillo                        | Independent |
| Rafael Contreras Grosskelwing               | Independent |
| Guadalupe Phillips Margain                  | Independent |
| Eduardo Alejandro Francisco García Villegas | Independent |
| Ricardo Maldonado Yáñez                     | Independent |

## IV. Financial Statements

### Holding

| <b>Income Statement-Holding</b><br><i>(Million Pesos)</i> | <b>1Q16</b>  | <b>2Q16</b>  | <b>3Q16</b>  | <b>4Q16</b>  | <b>1Q17</b>  | <b>2Q17</b>  |
|-----------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Income Subsidiaries                                       | 4,352        | 4,632        | 5,005        | 5,265        | 5,496        | 5,615        |
| Interest Income                                           | 8            | 18           | 17           | 11           | 47           | 89           |
| Interest Expense                                          | -            | -            | -            | -            | -            | -            |
| Fund Transfers                                            | -            | -            | -            | -            | -            | -            |
| Trading Income                                            | -            | -            | -            | -            | -            | -            |
| Other Operating Income (Expenses)                         | 2            | 1            | 1            | 2            | 0            | 0            |
| Non-Interest Expense                                      | 26           | 25           | 28           | 27           | 27           | 25           |
| <b>Pre-Tax Income</b>                                     | <b>4,336</b> | <b>4,626</b> | <b>4,994</b> | <b>5,251</b> | <b>5,516</b> | <b>5,678</b> |
| Income Tax                                                | -            | -            | -            | -            | -            | -            |
| Tax on Assets                                             | -            | -            | -            | -            | -            | -            |
| Deferred Income Tax                                       | (62)         | (6)          | (4)          | (13)         | (4)          | (2)          |
| <b>Taxes</b>                                              | <b>(62)</b>  | <b>(6)</b>   | <b>(4)</b>   | <b>(13)</b>  | <b>(4)</b>   | <b>(2)</b>   |
| <b>Net Income from Continuous Operations</b>              | <b>4,398</b> | <b>4,632</b> | <b>4,998</b> | <b>5,264</b> | <b>5,520</b> | <b>5,680</b> |
| Discontinued Operations                                   | -            | -            | -            | -            | -            | -            |
| <b>Net Income</b>                                         | <b>4,398</b> | <b>4,632</b> | <b>4,998</b> | <b>5,264</b> | <b>5,520</b> | <b>5,680</b> |

| <b>Holding - Balance Sheet</b><br><i>(Million Pesos)</i> | <b>1Q16</b>    | <b>2Q16</b>    | <b>3Q16</b>    | <b>4Q16</b>    | <b>1Q17</b>    | <b>2Q17</b>    |
|----------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>ASSETS</b>                                            |                |                |                |                |                |                |
| Cash and Due from Banks                                  | 62             | 60             | 90             | 43             | 21             | 40             |
| Margin Accounts                                          | -              | -              | -              | -              | -              | -              |
| Investment in Securities                                 | -              | -              | -              | -              | -              | -              |
| Non-assigned Securities for Settlement                   | -              | -              | -              | -              | -              | -              |
| Debtor Balance in Repo Trans,net                         | 1,507          | 1,508          | 700            | 3,482          | 1,451          | 611            |
| Securities Lending                                       | -              | -              | -              | -              | -              | -              |
| Transactions with Derivatives                            | -              | -              | -              | -              | -              | -              |
| Operations w/Derivatives & Securities                    | 1,507          | 1,508          | 700            | 3,482          | 1,451          | 611            |
| Valuation adjustments for Asset Coverage                 | -              | -              | -              | -              | -              | -              |
| Performing Loans                                         | -              | -              | -              | -              | -              | -              |
| Past Due Loans                                           | -              | -              | -              | -              | -              | -              |
| Gross Loan Portfolio                                     | -              | -              | -              | -              | -              | -              |
| Preventive Loan Loss Reserves                            | -              | -              | -              | -              | -              | -              |
| Net Loan Portfolio                                       | -              | -              | -              | -              | -              | -              |
| Acquired Collection Rights                               | -              | -              | -              | -              | -              | -              |
| Total Credit Portfolio                                   | -              | -              | -              | -              | -              | -              |
| Benef.receiveab.securization transactions                | -              | -              | -              | -              | -              | -              |
| Sundry Debtors & Other Accs Rec, Net                     | 58             | 53             | 17             | 0              | 0              | 0              |
| Inventories                                              | -              | -              | -              | -              | -              | -              |
| Foreclosed Assets, Net                                   | -              | -              | -              | -              | -              | -              |
| Real Estate, furniture & equipment, Net                  | -              | -              | -              | -              | -              | -              |
| Investment in Subsidiaries                               | 118,413        | 122,840        | 123,739        | 124,341        | 127,454        | 121,286        |
| Long-term assets held for sale                           | -              | -              | -              | -              | -              | -              |
| Deferred Taxes, Net                                      | 172            | 178            | 181            | 194            | 198            | 200            |
| Goodwill and Intangibles                                 | 10,728         | 10,705         | 10,682         | 10,659         | 10,638         | 10,615         |
| Other Assets Short and Long Term                         | -              | -              | -              | -              | -              | -              |
| Other Assets                                             |                |                |                |                |                |                |
|                                                          | 129,371        | 133,775        | 134,620        | 135,195        | 138,291        | 132,101        |
| <b>TOTAL ASSETS</b>                                      | <b>130,941</b> | <b>135,344</b> | <b>135,410</b> | <b>138,720</b> | <b>139,762</b> | <b>132,753</b> |

| <b>Holding - Balance Sheet</b><br><i>(Million Pesos)</i>                     | <b>1Q16</b>    | <b>2Q16</b>    | <b>3Q16</b>    | <b>4Q16</b>    | <b>1Q17</b>    | <b>2Q17</b>    |
|------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>LIABILITIES</b>                                                           |                |                |                |                |                |                |
| Demand Deposits                                                              | -              | -              | -              | -              | -              | -              |
| Senior Unsecured Debt                                                        | -              | -              | -              | -              | -              | -              |
| <b>Deposits</b>                                                              | -              | -              | -              | -              | -              | -              |
| <b>Due to Banks &amp; Correspondents</b>                                     | -              | -              | -              | -              | -              | -              |
| <b>Total Collateral sold</b>                                                 | -              | -              | -              | -              | -              | -              |
| <b>Total Operations w/ Derivatives &amp; Securities</b>                      | -              | -              | -              | -              | -              | -              |
| Margin Accounts Payable                                                      | -              | -              | -              | -              | -              | -              |
| Other Creditors & Accounts Payable                                           | 0              | 1,269          | 2              | 0              | 1              | 1              |
| Subordinated Non Convertible Debt                                            | -              | -              | -              | -              | -              | -              |
| Deferred Taxes, Net                                                          | -              | -              | -              | -              | -              | -              |
| Deferred Credits                                                             | -              | -              | -              | -              | -              | -              |
| <b>TOTAL LIABILITIES</b>                                                     | <b>0</b>       | <b>1,269</b>   | <b>2</b>       | <b>0</b>       | <b>1</b>       | <b>1</b>       |
| <b>EQUITY</b>                                                                |                |                |                |                |                |                |
| Paid-in Capital                                                              | 14,597         | 14,593         | 14,599         | 14,578         | 14,582         | 14,568         |
| Provision for future capital increase not formalized by its governing entity | -              | -              | -              | -              | -              | -              |
| Share Subscription Premiums                                                  | 36,189         | 36,301         | 36,115         | 36,263         | 35,934         | 35,758         |
| Subordinated Convertible Debentures                                          | -              | -              | -              | -              | -              | -              |
| <b>Subscribed Capital</b>                                                    | <b>50,785</b>  | <b>50,894</b>  | <b>50,714</b>  | <b>50,841</b>  | <b>50,516</b>  | <b>50,326</b>  |
| Capital Reserves                                                             | 5,419          | 5,334          | 5,421          | 4,825          | 4,870          | 4,827          |
| Retained Earnings                                                            | 73,410         | 70,292         | 66,730         | 66,626         | 82,129         | 69,718         |
| Surplus (Deficit) of Secs Available for Sale                                 | (1,964)        | (894)          | (516)          | (2,576)        | (2,731)        | (2,442)        |
| Results from Valuation of Hedging Secs                                       | (1,677)        | (1,739)        | (2,368)        | (2,089)        | (1,790)        | (1,943)        |
| Result in the valuation reserve for unexpired risks variations in rates      | (352)          | (24)           | 15             | 88             | 82             | 68             |
| Results from Conversions                                                     | 1,042          | 1,430          | 1,760          | 2,084          | 1,660          | 1,616          |
| Remeasurements defined benefits for employees                                | (121)          | (249)          | (376)          | (370)          | (494)          | (618)          |
| Surplus (Deficit) in Capital Restatement                                     | -              | -              | -              | -              | -              | -              |
| Adjustments in the Employee's Pensions                                       | -              | -              | -              | -              | -              | -              |
| Accumulated Effect of Deferred Taxes                                         | -              | -              | -              | -              | -              | -              |
| Net Income                                                                   | 4,398          | 9,030          | 14,028         | 19,292         | 5,520          | 11,201         |
| <b>Earned Capital</b>                                                        | <b>80,155</b>  | <b>83,180</b>  | <b>84,694</b>  | <b>87,879</b>  | <b>89,245</b>  | <b>82,426</b>  |
| Minority Interest                                                            | -              | -              | -              | -              | -              | -              |
| <b>Total Equity</b>                                                          | <b>130,940</b> | <b>134,074</b> | <b>135,408</b> | <b>138,720</b> | <b>139,762</b> | <b>132,752</b> |
| <b>TOTAL LIABILITIES &amp; EQUITY</b>                                        | <b>130,941</b> | <b>135,344</b> | <b>135,410</b> | <b>138,720</b> | <b>139,762</b> | <b>132,753</b> |

| <b>Holding - Memorandum Accounts</b><br><i>(Million Pesos)</i> | <b>1Q16</b>  | <b>2Q16</b>  | <b>3Q16</b>  | <b>4Q16</b>  | <b>1Q17</b>  | <b>2Q17</b>   |
|----------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|---------------|
| <b>TOTAL ON BEHALF OF THIRD PARTIES</b>                        | -            | -            | -            | -            | -            | -             |
| Properties in Custody or Management                            | 3,716        | 3,716        | 3,716        | 3,716        | 3,716        | 35,685        |
| Collateral Received                                            | 1,503        | 1,506        | 698          | 3,479        | 1,452        | 607           |
| <b>Proprietary Transactions</b>                                | <b>5,219</b> | <b>5,223</b> | <b>4,414</b> | <b>7,196</b> | <b>5,168</b> | <b>36,292</b> |
| <b>TOTAL PROPRIETARY</b>                                       | <b>5,219</b> | <b>5,223</b> | <b>4,414</b> | <b>7,196</b> | <b>5,168</b> | <b>36,292</b> |

## Grupo Financiero Banorte

| <b>Income Statement -GFNorte</b><br><i>(Million Pesos)</i> | <b>1Q16</b>   | <b>2Q16</b>   | <b>3Q16</b>   | <b>4Q16</b>   | <b>1Q17</b>   | <b>2Q17</b>   |
|------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Interest Income                                            | 18,422        | 17,874        | 20,059        | 22,703        | 26,264        | 25,938        |
| Interest Expense                                           | 5,973         | 6,238         | 6,804         | 7,879         | 9,783         | 10,984        |
| Charged Fees                                               | 306           | 294           | 301           | 305           | 282           | 295           |
| Fees Paid                                                  | 102           | 112           | 123           | 153           | 144           | 167           |
| <b>Net Interest Income from interest &amp; fees (NII)</b>  | <b>12,654</b> | <b>11,819</b> | <b>13,433</b> | <b>14,976</b> | <b>16,620</b> | <b>15,082</b> |
| Premium Income (Net)                                       | 7,741         | 4,512         | 4,210         | 4,844         | 7,784         | 6,507         |
| Net Increase in Technical Reserves                         | 4,154         | 675           | 994           | 2,655         | 5,544         | 2,654         |
| Damages, Claims and Other Obligations                      | 2,882         | 3,252         | 3,248         | 3,271         | 3,306         | 3,645         |
| <b>Net Interest Income (NII)</b>                           | <b>13,359</b> | <b>12,404</b> | <b>13,400</b> | <b>13,894</b> | <b>15,555</b> | <b>15,289</b> |
| Preventive Provisions for Loan Losses                      | 3,232         | 3,515         | 3,277         | 3,289         | 3,268         | 4,058         |
| <b>Net Interest Income Adjusted for Credit Risk</b>        | <b>10,127</b> | <b>8,889</b>  | <b>10,123</b> | <b>10,605</b> | <b>12,287</b> | <b>11,231</b> |
| Fund Transfers                                             | 273           | 313           | 334           | 367           | 368           | 390           |
| Account Management Fees                                    | 469           | 504           | 505           | 597           | 596           | 624           |
| Electronic Banking Services                                | 1,341         | 1,394         | 1,444         | 1,628         | 1,639         | 1,709         |
| For Commercial and Mortgage Loans *                        | 191           | 181           | 193           | 231           | 94            | 198           |
| For Consumer and Credit Card Loans                         | 830           | 786           | 925           | 1,116         | 999           | 1,055         |
| Fiduciary                                                  | 81            | 86            | 73            | 107           | 92            | 101           |
| Income from Real Estate Portfolios                         | 33            | 19            | 38            | 24            | 7             | 17            |
| Mutual Funds                                               | 276           | 287           | 298           | 302           | 282           | 329           |
| Trading & Financial Advising Fees                          | 145           | 106           | 130           | 140           | 115           | 167           |
| Other Fees Charged (1) *                                   | 198           | 242           | 244           | 231           | 264           | 205           |
| <b>Fees Charged on Services</b>                            | <b>3,838</b>  | <b>3,919</b>  | <b>4,184</b>  | <b>4,742</b>  | <b>4,455</b>  | <b>4,795</b>  |
| Interchange Fees                                           | 584           | 602           | 613           | 706           | 722           | 762           |
| Insurance Fees                                             | 625           | 107           | 279           | 360           | 379           | 269           |
| Other Fees Paid                                            | 459           | 540           | 554           | 627           | 783           | 779           |
| <b>Fees Paid on Services</b>                               | <b>1,667</b>  | <b>1,249</b>  | <b>1,447</b>  | <b>1,692</b>  | <b>1,884</b>  | <b>1,810</b>  |
| <b>Service Fees</b>                                        | <b>2,170</b>  | <b>2,670</b>  | <b>2,738</b>  | <b>3,050</b>  | <b>2,571</b>  | <b>2,985</b>  |
| Currency and Metals                                        | 8             | 31            | 8             | 36            | (151)         | (15)          |
| Derivatives                                                | (108)         | (32)          | 554           | (85)          | (195)         | (56)          |
| Negotiable Instruments                                     | 199           | 329           | (575)         | (26)          | 27            | 56            |
| <b>Valuation</b>                                           | <b>99</b>     | <b>328</b>    | <b>(14)</b>   | <b>(75)</b>   | <b>(319)</b>  | <b>(15)</b>   |
| Currency and Metals                                        | 254           | 366           | 454           | 437           | 520           | 523           |
| Derivatives                                                | 3             | (93)          | 62            | 14            | 281           | 73            |
| Negotiable Instruments                                     | 88            | 161           | 210           | 52            | 255           | 381           |
| <b>Trading</b>                                             | <b>346</b>    | <b>433</b>    | <b>726</b>    | <b>503</b>    | <b>1,056</b>  | <b>977</b>    |
| <b>Trading Income</b>                                      | <b>444</b>    | <b>761</b>    | <b>713</b>    | <b>428</b>    | <b>737</b>    | <b>961</b>    |
| Loan Recovery                                              | 347           | 366           | 403           | 434           | 413           | 462           |
| Loan Portfolios                                            | 50            | 50            | 44            | 6             | 42            | 46            |
| Income from foreclosed assets                              | 35            | 69            | (35)          | 29            | 21            | (273)         |
| Provisions Release                                         | 155           | 170           | 28            | 39            | 164           | 86            |
| Losses and Estimates                                       | (320)         | (340)         | (127)         | (173)         | (298)         | (422)         |
| Impairment of Assets                                       | (165)         | (60)          | (17)          | (0)           | (428)         | (10)          |
| Lease Income                                               | 79            | 69            | 97            | 80            | 111           | 105           |
| From Insurance                                             | 208           | 287           | 248           | 275           | 234           | 213           |
| Other Operating Expense                                    | 216           | 305           | 294           | 347           | 360           | 446           |
| <b>Total Other Operating Income (Expense)</b>              | <b>606</b>    | <b>914</b>    | <b>934</b>    | <b>1,037</b>  | <b>619</b>    | <b>653</b>    |
| <b>Total Non Interest Income</b>                           | <b>3,221</b>  | <b>4,345</b>  | <b>4,384</b>  | <b>4,515</b>  | <b>3,927</b>  | <b>4,599</b>  |
| <b>Total Operating Income</b>                              | <b>13,347</b> | <b>13,234</b> | <b>14,507</b> | <b>15,120</b> | <b>16,214</b> | <b>15,831</b> |
| Personnel                                                  | 3,154         | 2,983         | 3,382         | 3,357         | 3,512         | 3,285         |
| Employee Profit Sharing (PTU)                              | 97            | 97            | 97            | 99            | 101           | 101           |
| Professional Fees                                          | 479           | 569           | 554           | 606           | 567           | 712           |
| Administrative and Promotional Expenses                    | 1,923         | 1,645         | 1,823         | 1,974         | 2,022         | 1,954         |
| Rents, Depreciation & Amortization                         | 1,113         | 1,118         | 1,203         | 1,254         | 1,306         | 1,274         |
| Taxes other than income tax & non deductible               | 423           | 347           | 315           | 306           | 523           | 374           |
| Contributions to IPAB/Fobaproa                             | 562           | 575           | 580           | 607           | 634           | 636           |
| <b>Total Non Interest Expense</b>                          | <b>7,752</b>  | <b>7,334</b>  | <b>7,954</b>  | <b>8,203</b>  | <b>8,665</b>  | <b>8,337</b>  |
| <b>Operating Income</b>                                    | <b>5,595</b>  | <b>5,900</b>  | <b>6,553</b>  | <b>6,917</b>  | <b>7,549</b>  | <b>7,494</b>  |
| Subsidiaries' Net Income                                   | 328           | 309           | 353           | 257           | 263           | 335           |
| <b>Pre-Tax Income</b>                                      | <b>5,923</b>  | <b>6,209</b>  | <b>6,906</b>  | <b>7,173</b>  | <b>7,812</b>  | <b>7,828</b>  |
| Income Tax                                                 | 1,667         | 1,397         | 2,126         | 1,865         | 2,070         | 2,015         |
| Tax on Assets                                              | -             | -             | -             | -             | -             | -             |
| Deferred Income Tax                                        | (202)         | 193           | (224)         | 55            | 210           | 59            |
| <b>Taxes</b>                                               | <b>1,465</b>  | <b>1,590</b>  | <b>1,902</b>  | <b>1,921</b>  | <b>2,279</b>  | <b>2,074</b>  |
| <b>Net Income from Continuous Operations</b>               | <b>4,458</b>  | <b>4,619</b>  | <b>5,004</b>  | <b>5,253</b>  | <b>5,532</b>  | <b>5,754</b>  |
| Discontinued Operations                                    | 59            | 72            | 44            | 68            | 74            | 6             |
| Minority Interest                                          | (55)          | (65)          | (72)          | (77)          | (79)          | (80)          |
| <b>Net Income</b>                                          | <b>4,462</b>  | <b>4,626</b>  | <b>4,976</b>  | <b>5,244</b>  | <b>5,527</b>  | <b>5,680</b>  |

| <b>GFNorte - Balance Sheet</b><br><i>(Million Pesos)</i>                      | <b>1Q16</b>      | <b>2Q16</b>      | <b>3Q16</b>      | <b>4Q16</b>      | <b>1Q17</b>      | <b>2Q17</b>      |
|-------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>ASSETS</b>                                                                 |                  |                  |                  |                  |                  |                  |
| <b>Cash and Due from Banks</b>                                                | <b>94,384</b>    | <b>89,996</b>    | <b>70,750</b>    | <b>65,886</b>    | <b>60,422</b>    | <b>65,840</b>    |
| <b>Margin Accounts</b>                                                        | <b>269</b>       | <b>513</b>       | <b>745</b>       | <b>2,185</b>     | <b>1,909</b>     | <b>2,635</b>     |
| Negotiable Instruments                                                        | 249,531          | 253,957          | 250,061          | 181,777          | 244,183          | 240,223          |
| Securities Available for Sale                                                 | 105,600          | 121,630          | 119,522          | 195,087          | 136,570          | 139,264          |
| Securities Held to Maturity                                                   | 77,339           | 77,909           | 79,054           | 81,920           | 85,347           | 87,127           |
| <b>Investment in Securities</b>                                               | <b>432,470</b>   | <b>453,496</b>   | <b>448,636</b>   | <b>458,784</b>   | <b>466,100</b>   | <b>466,614</b>   |
| <b>Non-assigned Securities for Settlement</b>                                 | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         |
| <b>Debtor Balance in Repo Trans, net</b>                                      | <b>402</b>       | <b>62</b>        | <b>72</b>        | <b>0</b>         | <b>2</b>         | <b>0</b>         |
| <b>Securities Lending</b>                                                     | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         |
| For trading purposes                                                          | 18,154           | 21,030           | 16,516           | 41,133           | 22,780           | 20,387           |
| For hedging purposes                                                          | 100              | 76               | 113              | 742              | 387              | 216              |
| Operations w/Derivatives & Securities                                         |                  |                  |                  |                  |                  |                  |
| <b>Transactions with Derivatives</b>                                          | <b>18,254</b>    | <b>21,107</b>    | <b>16,630</b>    | <b>41,875</b>    | <b>23,167</b>    | <b>20,603</b>    |
| <b>Operations w/Derivatives &amp; Securities</b>                              | <b>18,656</b>    | <b>21,169</b>    | <b>16,702</b>    | <b>41,876</b>    | <b>23,168</b>    | <b>20,604</b>    |
| <b>Valuation adjustments for Asset Coverage</b>                               | <b>124</b>       | <b>121</b>       | <b>117</b>       | <b>113</b>       | <b>110</b>       | <b>106</b>       |
| Commercial Loans                                                              | 198,477          | 201,478          | 204,870          | 224,218          | 220,656          | 231,284          |
| Financial Intermediaries' Loans                                               | 2,875            | 3,313            | 4,253            | 4,650            | 5,237            | 5,607            |
| Consumer Loans                                                                | 77,731           | 80,643           | 84,437           | 88,332           | 92,394           | 98,478           |
| Mortgage Loans                                                                | 100,743          | 104,733          | 108,955          | 114,807          | 119,310          | 124,206          |
| Medium and Residential                                                        | 97,003           | 100,950          | 105,020          | 110,825          | 115,226          | 120,197          |
| low income housing                                                            | 62               | 48               | 43               | 40               | 37               | 33               |
| Loans acquired from INFONAVIT or FOVISSSTE                                    | 3,679            | 3,735            | 3,892            | 3,942            | 4,048            | 3,975            |
| Restructuring or improvement guaranteed by development banks or public trusts | -                | -                | -                | -                | -                | -                |
| Government Entities' Loans                                                    | 137,144          | 135,717          | 131,409          | 134,798          | 131,551          | 134,423          |
| <b>Performing Loans</b>                                                       | <b>516,970</b>   | <b>525,884</b>   | <b>533,925</b>   | <b>566,804</b>   | <b>569,147</b>   | <b>593,997</b>   |
| Commercial PDL's                                                              | 7,969            | 7,797            | 7,524            | 5,672            | 5,893            | 5,739            |
| Financial Intermediaries PDL's                                                | 0                | 344              | 344              | 344              | 344              | 0                |
| Consumer PDL's                                                                | 2,684            | 3,343            | 3,263            | 3,247            | 3,029            | 3,918            |
| Mortgage PDL's                                                                | 1,094            | 1,141            | 1,119            | 1,049            | 1,019            | 1,161            |
| Medium and Residential                                                        | 1,034            | 1,064            | 1,044            | 952              | 911              | 1,044            |
| low income housing                                                            | 7                | 2                | 2                | 1                | 1                | 1                |
| Loans acquired from INFONAVIT or FOVISSSTE                                    | 53               | 74               | 74               | 96               | 106              | 117              |
| Restructuring or improvement guaranteed by development banks or public trusts | -                | -                | -                | -                | -                | -                |
| Government Entities PDL's                                                     | -                | -                | 0                | -                | -                | -                |
| <b>Past Due Loans</b>                                                         | <b>11,747</b>    | <b>12,624</b>    | <b>12,250</b>    | <b>10,312</b>    | <b>10,284</b>    | <b>10,818</b>    |
| <b>Gross Loan Portfolio</b>                                                   | <b>528,717</b>   | <b>538,508</b>   | <b>546,175</b>   | <b>577,117</b>   | <b>579,432</b>   | <b>604,815</b>   |
| Preventive Loan Loss Reserves                                                 | 13,918           | 15,045           | 15,104           | 14,384           | 14,235           | 16,119           |
| <b>Net Loan Portfolio</b>                                                     | <b>514,799</b>   | <b>523,463</b>   | <b>531,071</b>   | <b>562,733</b>   | <b>565,197</b>   | <b>588,696</b>   |
| Acquired Collection Rights                                                    | 2,120            | 1,946            | 2,223            | 2,025            | 2,082            | 1,986            |
| <b>Total Credit Portfolio</b>                                                 | <b>516,919</b>   | <b>525,409</b>   | <b>533,294</b>   | <b>564,759</b>   | <b>567,279</b>   | <b>590,682</b>   |
| Account Receivables from Insurance and Annuities                              | 1,718            | 1,781            | 1,827            | 1,908            | 1,620            | 1,769            |
| Premium Debtors (Net)                                                         | 9,252            | 7,627            | 5,653            | 4,245            | 8,406            | 8,223            |
| Account Receivables from Reinsurance                                          | 6,462            | 6,936            | 6,966            | 7,166            | 7,189            | 8,878            |
| Benef. receivab. securization transactions                                    | 149              | 153              | 202              | 155              | 151              | 152              |
| Sundry Debtors & Other Accs Rec, Net                                          | 39,620           | 38,422           | 39,689           | 50,366           | 46,084           | 36,699           |
| Inventories                                                                   | 416              | 951              | 703              | 438              | 399              | 1,309            |
| Foreclosed Assets, Net                                                        | 2,132            | 1,998            | 1,801            | 1,610            | 1,569            | 1,149            |
| Real Estate, Furniture & Equipment, Net                                       | 13,922           | 14,428           | 14,723           | 15,828           | 15,770           | 15,981           |
| Investment in Subsidiaries                                                    | 12,858           | 13,155           | 13,503           | 13,764           | 12,875           | 13,104           |
| Long-term assets held for sale                                                | 4,481            | 4,801            | 5,036            | 5,299            | -                | -                |
| Deferred Taxes, Net                                                           | 3,395            | 2,965            | 3,406            | 3,994            | 3,750            | 3,729            |
| Goodwill and Intangibles                                                      | 23,393           | 23,563           | 23,760           | 26,315           | 25,281           | 25,493           |
| Other Assets Short and Long Term                                              | 3,915            | 3,702            | 3,424            | 3,427            | 3,253            | 2,709            |
| Other Assets                                                                  |                  |                  |                  |                  |                  |                  |
|                                                                               | 121,712          | 120,482          | 120,693          | 134,516          | 126,347          | 119,194          |
| <b>TOTAL ASSETS</b>                                                           | <b>1,184,534</b> | <b>1,211,186</b> | <b>1,190,937</b> | <b>1,268,119</b> | <b>1,245,334</b> | <b>1,265,675</b> |

| <b>GFNorte - Balance Sheet</b><br>(Million Pesos)                            | <b>1Q16</b>      | <b>2Q16</b>      | <b>3Q16</b>      | <b>4Q16</b>      | <b>1Q17</b>      | <b>2Q17</b>      |
|------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>LIABILITIES</b>                                                           |                  |                  |                  |                  |                  |                  |
| Demand Deposits                                                              | 323,700          | 334,812          | 348,116          | 381,203          | 365,031          | 366,429          |
| Time Deposits-Retail                                                         | 207,504          | 216,587          | 193,862          | 190,461          | 209,159          | 227,113          |
| Time Deposits-Money Market                                                   | 2,904            | 1,068            | 1,400            | 1,459            | 1,115            | 15,394           |
| Global Account of deposits without movements                                 | 1,171            | 1,224            | 1,250            | 1,352            | 1,410            | 1,456            |
| Senior Unsecured Debt                                                        | 130              | 130              | 58               | 85               | 85               | 2,750            |
| <b>Deposits</b>                                                              | <b>535,410</b>   | <b>553,820</b>   | <b>544,685</b>   | <b>574,559</b>   | <b>576,800</b>   | <b>613,142</b>   |
| Demand Loans                                                                 | 6,928            | 0                | 0                | 4,019            | 1,137            | 1,591            |
| Short Term Loans                                                             | 16,333           | 17,887           | 17,338           | 17,155           | 13,264           | 14,886           |
| Long Term Loans                                                              | 14,187           | 14,054           | 15,870           | 17,462           | 17,984           | 18,222           |
| <b>Due to Banks &amp; Correspondents</b>                                     | <b>37,448</b>    | <b>31,941</b>    | <b>33,208</b>    | <b>38,636</b>    | <b>32,385</b>    | <b>34,698</b>    |
| Technical Reserves                                                           | 86,054           | 86,535           | 87,495           | 90,369           | 97,016           | 100,982          |
| Non-assigned Securities for Settlement                                       | -                | -                | -                | -                | -                | -                |
| Creditor Balance in Repo Trans, Net                                          | 316,634          | 317,232          | 309,116          | 308,777          | 314,163          | 307,161          |
| Secs to be received in Repo Trans, Net                                       | -                | 0                | 0                | -                | -                | -                |
| Repos (Credit Balance)                                                       | 0                | 17               | 21               | 0                | 2                | 0                |
| Securities' Loans                                                            | -                | -                | -                | -                | -                | -                |
| Transactions with Derivatives                                                | -                | -                | -                | -                | -                | -                |
| Other sold collateral                                                        | -                | -                | -                | -                | -                | -                |
| <b>Total Collateral sold</b>                                                 | <b>0</b>         | <b>17</b>        | <b>21</b>        | <b>0</b>         | <b>2</b>         | <b>0</b>         |
| For trading purposes                                                         | 18,829           | 21,961           | 18,597           | 40,403           | 22,092           | 19,445           |
| For hedging purposes                                                         | 6,161            | 6,825            | 8,671            | 9,372            | 6,555            | 6,552            |
| Operations w/ Derivatives & Securities                                       |                  |                  |                  |                  |                  |                  |
| <b>Transactions with Derivatives</b>                                         | <b>24,990</b>    | <b>28,786</b>    | <b>27,268</b>    | <b>49,776</b>    | <b>28,647</b>    | <b>25,997</b>    |
| <b>Total Operations w/ Derivatives &amp; Securities</b>                      | <b>341,624</b>   | <b>346,036</b>   | <b>336,405</b>   | <b>358,553</b>   | <b>342,812</b>   | <b>333,158</b>   |
| Valuation adjustments for financial liability coverage                       | -                | -                | -                | -                | -                | -                |
| Obligations in securitization transactions                                   | -                | -                | -                | -                | -                | -                |
| Payable Accounts for Reinsurance                                             | 2,575            | 2,412            | 2,455            | 1,747            | 2,526            | 3,348            |
| Income Tax Payable                                                           | 1,321            | 1,777            | 2,354            | 3,114            | 2,021            | 1,933            |
| Profit Sharing Payable                                                       | 135              | 206              | 299              | 396              | 494              | 222              |
| Provision for future capital increase not formalized by its governing entity | -                | -                | -                | -                | -                | -                |
| Creditors for settlement of transactions                                     | 7,451            | 12,625           | 8,435            | 7,348            | 6,609            | 6,956            |
| Margin Accounts Payable                                                      | -                | -                | -                | -                | -                | -                |
| Other Creditors & Accounts Payable                                           | 19,157           | 19,131           | 17,278           | 28,364           | 23,072           | 20,612           |
| <b>Other Payable Accounts</b>                                                | <b>28,064</b>    | <b>33,740</b>    | <b>28,366</b>    | <b>39,221</b>    | <b>32,196</b>    | <b>29,722</b>    |
| Subordinated Non Convertible Debt                                            | 17,475           | 17,821           | 18,246           | 21,917           | 17,551           | 13,733           |
| Deferred Taxes, Net                                                          | -                | -                | -                | (0)              | 0                | (0)              |
| Deferred Credits                                                             | 1,003            | 805              | 660              | 415              | 265              | 252              |
| <b>TOTAL LIABILITIES</b>                                                     | <b>1,049,653</b> | <b>1,073,110</b> | <b>1,051,519</b> | <b>1,125,418</b> | <b>1,101,552</b> | <b>1,129,036</b> |
| <b>EQUITY</b>                                                                |                  |                  |                  |                  |                  |                  |
| Paid-in Capital                                                              | 14,593           | 14,590           | 14,595           | 14,574           | 14,578           | 14,564           |
| Provision for future capital increase not formalized by its governing entity | -                | -                | -                | -                | -                | -                |
| Share Subscription Premiums                                                  | 36,345           | 36,465           | 36,279           | 36,427           | 36,098           | 35,932           |
| Subordinated Convertible Debentures                                          | -                | -                | -                | -                | -                | -                |
| <b>Subscribed Capital</b>                                                    | <b>50,937</b>    | <b>51,054</b>    | <b>50,874</b>    | <b>51,001</b>    | <b>50,676</b>    | <b>50,496</b>    |
| Capital Reserves                                                             | 5,419            | 5,334            | 5,421            | 4,825            | 4,870            | 4,827            |
| Retained Earnings                                                            | 75,276           | 72,158           | 68,596           | 68,492           | 84,011           | 71,600           |
| Surplus (Deficit) of Secs Available for Sale                                 | (1,976)          | (911)            | (532)            | (2,592)          | (2,754)          | (2,471)          |
| Results from Valuation of Hedging Secs                                       | (1,677)          | (1,739)          | (2,368)          | (2,089)          | (1,790)          | (1,943)          |
| Result in the valuation reserve for unexpired risks variations in rates      | (352)            | (24)             | 15               | 88               | 82               | 68               |
| Results from Conversions                                                     | 1,042            | 1,430            | 1,760            | 2,084            | 1,660            | 1,616            |
| Remeasurements defined benefits for employees                                | (121)            | (249)            | (376)            | (370)            | (494)            | (618)            |
| Surplus (Deficit) in Capital Restatement                                     | -                | -                | -                | -                | -                | -                |
| Adjustments in the Employee's Pensions                                       | -                | -                | -                | -                | -                | -                |
| Accumulated Effect of Deferred Taxes                                         | -                | -                | -                | -                | -                | -                |
| Net Income                                                                   | 4,462            | 9,088            | 14,064           | 19,308           | 5,527            | 11,207           |
| <b>Earned Capital</b>                                                        | <b>82,073</b>    | <b>85,088</b>    | <b>86,580</b>    | <b>89,745</b>    | <b>91,112</b>    | <b>84,287</b>    |
| Minority Interest                                                            | 1,872            | 1,934            | 1,964            | 1,956            | 1,994            | 1,856            |
| <b>Total Equity</b>                                                          | <b>134,882</b>   | <b>138,076</b>   | <b>139,418</b>   | <b>142,701</b>   | <b>143,782</b>   | <b>136,639</b>   |
| <b>TOTAL LIABILITIES &amp; EQUITY</b>                                        | <b>1,184,534</b> | <b>1,211,186</b> | <b>1,190,937</b> | <b>1,268,119</b> | <b>1,245,334</b> | <b>1,265,675</b> |

| <b>GFNorte - Memorandum Accounts</b><br>(Million Pesos) | <b>1Q16</b>      | <b>2Q16</b>      | <b>3Q16</b>      | <b>4Q17</b>      | <b>1Q17</b>      | <b>2Q17</b>      |
|---------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>On behalf of Third Parties</b>                       |                  |                  |                  |                  |                  |                  |
| Customer's Banks                                        | 93               | 98               | 64               | 118              | 154              | 53               |
| Dividends Receivable from Customers                     | -                | -                | -                | -                | -                | -                |
| Interest Receivable from Customers                      | -                | -                | -                | -                | -                | -                |
| Settlement of Customer Transactions                     | 208              | (18)             | (10)             | (3)              | (3)              | 5                |
| Customer Premiums                                       | -                | -                | -                | -                | -                | -                |
| Settlement with Clients' Foreign Currency               | -                | -                | -                | -                | -                | -                |
| Margin Accounts in Futures' Operations                  | -                | -                | -                | -                | -                | -                |
| Other Current Accounts                                  | -                | -                | -                | -                | -                | -                |
| <b>Customers' Current Account</b>                       | <b>301</b>       | <b>80</b>        | <b>54</b>        | <b>114</b>       | <b>150</b>       | <b>58</b>        |
| Client Securities Received in Custody                   | 616,579          | 647,418          | 647,173          | 609,288          | 642,019          | 670,333          |
| Securities and Documents Received in Guarantee          | -                | -                | -                | -                | -                | -                |
| Client Securities Abroad                                | -                | -                | -                | -                | -                | -                |
| <b>Clients' Securities</b>                              | <b>616,579</b>   | <b>647,418</b>   | <b>647,173</b>   | <b>609,288</b>   | <b>642,019</b>   | <b>670,333</b>   |
| Clients' Repurchase Operations                          | 102,988          | 102,541          | 85,315           | 77,781           | 106,095          | 90,620           |
| Clients' Repo Transactions w/ Securities                | -                | -                | -                | -                | -                | -                |
| Collateral received in guarantee for customer accounts  | 102,953          | 102,522          | 85,295           | 77,746           | 106,060          | 90,585           |
| Purchase of Futures & Forward Contracts, national       | -                | -                | -                | -                | -                | -                |
| Sale of Futures and Forward Contracts, national         | -                | -                | -                | -                | -                | -                |
| Clients' Option Purchase Operations                     | -                | -                | -                | -                | -                | -                |
| Clients' Option Sales Operations                        | -                | -                | -                | -                | -                | -                |
| Purchase Operations of derivatives                      | -                | -                | -                | -                | -                | -                |
| Clients' Sales Operations of derivatives                | -                | -                | -                | -                | -                | -                |
| Trusts under Management                                 | 99,220           | 102,029          | 96,297           | 90,205           | 108,323          | 113,681          |
| <b>Transactions On Behalf of Clients</b>                | <b>305,161</b>   | <b>307,092</b>   | <b>266,908</b>   | <b>245,732</b>   | <b>320,478</b>   | <b>294,885</b>   |
| <b>Investment Bank Trans. on behalf of Third (Net)</b>  | <b>71,038</b>    | <b>65,031</b>    | <b>92,104</b>    | <b>93,307</b>    | <b>90,367</b>    | <b>77,102</b>    |
| <b>TOTAL ON BEHALF OF THIRD PARTIES</b>                 | <b>993,079</b>   | <b>1,019,622</b> | <b>1,006,238</b> | <b>948,441</b>   | <b>1,053,014</b> | <b>1,042,379</b> |
| <b>Endorsement Guarantees Granted</b>                   | -                | -                | -                | -                | -                | -                |
| Loan Obligations                                        | 164,071          | 170,431          | 258,537          | 324,528          | 326,160          | 259,402          |
| Trusts                                                  | 306,517          | 320,511          | 309,671          | 289,905          | 271,144          | 279,574          |
| Mandates                                                | 8,571            | 9,824            | 9,557            | 2,268            | 2,712            | 13,148           |
| <b>Properties in Trusts and Warrant</b>                 | <b>315,088</b>   | <b>330,336</b>   | <b>319,228</b>   | <b>292,174</b>   | <b>273,856</b>   | <b>292,722</b>   |
| Properties in Custody or Management                     | 457,665          | 480,655          | 470,481          | 446,626          | 475,934          | 553,930          |
| Collateral Received                                     | 103,030          | 72,198           | 89,904           | 89,288           | 164,657          | 101,105          |
| Collateral Received or sold or delivered                | 146,735          | 114,133          | 114,103          | 101,473          | 203,465          | 123,597          |
| Drafts in Transit                                       | -                | -                | -                | -                | -                | -                |
| Assets' Deposit                                         | 2,343            | 1,943            | 1,484            | 2,550            | 2,368            | 2,415            |
| Letters of Credit to the Corporation as Guarantee       | -                | -                | -                | -                | -                | -                |
| Securities to the Corporation for Custody               | -                | -                | -                | -                | -                | -                |
| Government Secs of the Corp under Custody               | -                | -                | -                | -                | -                | -                |
| Securities of the Corp given as Guarantee               | -                | -                | -                | -                | -                | -                |
| Securities of the Corp Abroad                           | -                | -                | -                | -                | -                | -                |
| Settlement with FX of the Corp Abroad                   | -                | -                | -                | -                | -                | -                |
| Debts with the Contingency Fund                         | -                | -                | -                | -                | -                | -                |
| Contingent assets & Liabilities                         | 26               | 33               | 40               | 45               | 63               | 73               |
| Uncollected Accrued Interest from Past Due Loans        | 491              | 526              | 465              | 439              | 437              | 471              |
| Investments of Retirement Savings Funds                 | -                | -                | -                | -                | -                | -                |
| Integration of the Credit Portfolio                     | -                | -                | -                | -                | -                | -                |
| Amounts Contracted in Derivatives                       | -                | -                | -                | -                | -                | -                |
| <b>Proprietary Transactions</b>                         | <b>1,189,450</b> | <b>1,170,254</b> | <b>1,254,243</b> | <b>1,257,123</b> | <b>1,446,941</b> | <b>1,333,715</b> |
| Repo Securities to be Received                          | -                | -                | -                | -                | -                | -                |
| (Minus) Repo Creditors                                  | -                | -                | -                | -                | -                | -                |
| <b>Net Repo Transactions</b>                            | -                | -                | -                | -                | -                | -                |
| Repo Debtors                                            | -                | -                | -                | -                | -                | -                |
| (Minus) Repo Securities to be Delivered                 | -                | -                | -                | -                | -                | -                |
| <b>Net Repo Transactions</b>                            | -                | -                | -                | -                | -                | -                |
| <b>TOTAL PROPRIETARY</b>                                | <b>1,189,450</b> | <b>1,170,254</b> | <b>1,254,243</b> | <b>1,257,123</b> | <b>1,446,941</b> | <b>1,333,715</b> |

**GFNORTE - CONSOLIDATED STATEMENT OF CASH FLOW****JANUARY 1, 2017 – JUNE 30, 2017***(Million Pesos)*

|                                                                                     |                 |
|-------------------------------------------------------------------------------------|-----------------|
| <b>Net Income</b>                                                                   | <b>11,207</b>   |
| <b>Items charged to results that do not generate or require use of resources</b>    |                 |
| Depreciation                                                                        | 842             |
| Technical Reserves                                                                  | 8,198           |
| Provisions                                                                          | (2,521)         |
| Income taxes and deferred                                                           | 4,353           |
| Minority Interest                                                                   | 0               |
| Discontinued Operations                                                             | 79              |
|                                                                                     | <b>21,719</b>   |
| <b>Change in items related to operations</b>                                        |                 |
| Change in Margin Accounts                                                           | (449)           |
| Change in Investment in Securities                                                  | (7,830)         |
| Change in repo debtors                                                              | 0               |
| Change in derivatives (assets)                                                      | 20,754          |
| Change in Loan Portfolio (net)                                                      | (25,938)        |
| Change in purchased receivables (net)                                               | 39              |
| Change in accounts receivable insurance and bonding institutions (net)              | 140             |
| Change in debtor premiums (net)                                                     | (3,978)         |
| Change in Reinsurance (net)                                                         | (1,712)         |
| Change in benefits to receive from securitizations                                  | 3               |
| Change in foreclosed assets (net)                                                   | 461             |
| Change in other operating assets (net)                                              | 13,156          |
| Change in core deposits                                                             | 38,582          |
| Change in interbank loans and other entities                                        | (3,922)         |
| Change in repo creditors                                                            | (1,616)         |
| Change in collateral pledged sold                                                   | 0               |
| Change in derivatives (liability)                                                   | (20,959)        |
| Change in Technical Reserves (net)                                                  | 2,415           |
| Change in Reinsurance (net) (liability)                                             | 1,602           |
| Change in subordinated debt with characteristics of liabilities                     | (7,759)         |
| Change in other operating liabilities                                               | (5,662)         |
| Change in hedging instruments (the related hedged transaction activities)           | (2,295)         |
| Discontinued Operational Assets                                                     | (59)            |
| Income Tax Payments                                                                 | (5,355)         |
| <b>Net cash generated or used from operations</b>                                   | <b>11,337</b>   |
| <b>Investment Activities</b>                                                        |                 |
| Charges for disposal of property, furniture and equipment                           | 466             |
| Payments for acquisition of property, furniture and equipment                       | (1,492)         |
| Charges for disposal of subsidiaries, associated and agreements with mutual control | 3,195           |
| Payments for other permanent investmentes                                           | 0               |
| Charges for cash dividends                                                          | 2,364           |
| Discontinued Operational Assets                                                     | 0               |
| <b>Net cash generated or used from investment activities</b>                        | <b>4,533</b>    |
| <b>Financing Activities</b>                                                         |                 |
| Payments of cash dividends                                                          | (14,645)        |
| Payments associated with the repurchase of proprietary shares                       | (1,181)         |
| <b>Net cash flows from financing activities</b>                                     | <b>(15,826)</b> |
| <b>Net Cash Increase (decrease) and equivalents value</b>                           | <b>44</b>       |
| <b>Effects for changes in cash and equivalents value</b>                            | <b>(90)</b>     |
| <b>Cash and cash equivalents at beginning of period</b>                             | <b>65,886</b>   |
| <b>Cash and cash equivalents at end of period</b>                                   | <b>65,840</b>   |

## GNORTE - CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

JANUARY 1, 2017 – JUNE 30, 2017  
(Million Pesos)

|                                                                                                            | CONTRIBUTED CAPITAL   |                                 | EARNED CAPITAL   |                   |                                                    |                                              |                                                                     |                          |                                               |                 |                   |                            |
|------------------------------------------------------------------------------------------------------------|-----------------------|---------------------------------|------------------|-------------------|----------------------------------------------------|----------------------------------------------|---------------------------------------------------------------------|--------------------------|-----------------------------------------------|-----------------|-------------------|----------------------------|
|                                                                                                            | Fixed Paid-in Capital | Premium from sale of securities | Capital Reserves | Retained Earnings | Valuation Effects of Securities Available for Sale | Results from val of instrum Cash flow hedges | Results in the val. reserve for unexpired risks variations in rates | Results from Conversions | Remeasurements defined benefits for employees | Net Income      | Minority Interest | Total Stockholders' Equity |
| Balance as of December 31, 2016                                                                            | 14,574                | 36,427                          | 4,825            | 68,492            | (2,592)                                            | (2,089)                                      | 87                                                                  | 2,084                    | (370)                                         | 19,308          | 1,956             | 142,702                    |
| <b>Changes stemming from stockholders' decisions</b>                                                       |                       |                                 |                  |                   |                                                    |                                              |                                                                     |                          |                                               |                 |                   |                            |
| Repurchase of payment plan based on shares payable in equity instruments                                   | (10)                  | (487)                           | (453)            |                   | (12)                                               |                                              |                                                                     |                          |                                               |                 |                   | (962)                      |
| Capitalization of profits                                                                                  |                       |                                 |                  | 19,308            |                                                    |                                              |                                                                     |                          |                                               | (19,308)        |                   |                            |
| Dividend Declared by the Ordinary General Shareholders' Meeting on February 24, 2017 and on April 27, 2017 |                       |                                 |                  | (14,645)          |                                                    |                                              |                                                                     |                          |                                               |                 |                   | (14,645)                   |
| INB's Sale Accounting Effect                                                                               |                       |                                 |                  | (358)             |                                                    |                                              |                                                                     |                          |                                               |                 |                   | (358)                      |
| Reserve creation for share repurchase                                                                      |                       |                                 |                  | (455)             |                                                    |                                              |                                                                     |                          |                                               |                 |                   | 0                          |
| <b>Total</b>                                                                                               | <b>(10)</b>           | <b>(487)</b>                    | <b>2</b>         | <b>3,850</b>      | <b>(12)</b>                                        | <b>0</b>                                     | <b>0</b>                                                            | <b>0</b>                 | <b>0</b>                                      | <b>(19,308)</b> | <b>0</b>          | <b>(15,965)</b>            |
| <b>Changes stemming from profits</b>                                                                       |                       |                                 |                  |                   |                                                    |                                              |                                                                     |                          |                                               |                 |                   |                            |
| <b>Total profits:</b>                                                                                      |                       |                                 |                  |                   |                                                    |                                              |                                                                     |                          |                                               |                 |                   |                            |
| Net Income                                                                                                 |                       |                                 |                  |                   |                                                    |                                              |                                                                     |                          |                                               | 11,207          |                   | 11,207                     |
| Result from valuation of securities available for sale                                                     |                       |                                 |                  |                   | 133                                                |                                              |                                                                     |                          |                                               |                 |                   | 133                        |
| Effect of subsidiaries, associates and mutual funds                                                        |                       | (8)                             |                  | (17)              |                                                    |                                              |                                                                     | (468)                    |                                               |                 |                   | (493)                      |
| Result from valuation of instruments of cash flow hedges                                                   |                       |                                 |                  |                   |                                                    | 146                                          |                                                                     |                          |                                               |                 |                   | 146                        |
| Result in valuation of current risk reserve due to changes in rates                                        |                       |                                 |                  |                   |                                                    |                                              | (19)                                                                |                          |                                               |                 |                   | (19)                       |
| Remeasurements defined benefits for employees                                                              |                       |                                 |                  |                   |                                                    |                                              |                                                                     |                          | (247)                                         |                 |                   | (247)                      |
| Modification in the disposition of the non-revolving consumer book and mortgage house book's rating        |                       |                                 |                  | (725)             |                                                    |                                              |                                                                     |                          |                                               |                 |                   | (725)                      |
| <b>Total</b>                                                                                               | <b>0</b>              | <b>(8)</b>                      | <b>0</b>         | <b>(742)</b>      | <b>133</b>                                         | <b>146</b>                                   | <b>(19)</b>                                                         | <b>(468)</b>             | <b>(247)</b>                                  | <b>11,207</b>   | <b>0</b>          | <b>10,002</b>              |
| Recognition of minority interest                                                                           |                       |                                 |                  |                   |                                                    |                                              |                                                                     |                          |                                               |                 | (100)             | (100)                      |
| Balance as of June 30, 2017                                                                                | 14,564                | 35,932                          | 4,827            | 71,600            | (2,471)                                            | (1,943)                                      | 68                                                                  | 1,616                    | (617)                                         | 11,207          | 1,856             | 136,639                    |

## Consolidated Bank

| Income Statement - Consolidated Bank<br>(Million Pesos) | 1Q16          | 2Q16          | 3Q16          | 4Q16          | 1Q17          | 2Q17          |
|---------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Interest Income                                         | 15,530        | 16,064        | 17,545        | 19,070        | 21,747        | 23,165        |
| Interest Expense                                        | 4,966         | 5,112         | 5,874         | 6,808         | 8,614         | 9,831         |
| Charged Fees                                            | 305           | 292           | 299           | 303           | 282           | 294           |
| Fees Paid                                               | 101           | 111           | 122           | 151           | 143           | 165           |
| <b>Net Interest Income (NII)</b>                        | <b>10,768</b> | <b>11,133</b> | <b>11,847</b> | <b>12,414</b> | <b>13,272</b> | <b>13,463</b> |
| Preventive Provisions for Loan Losses                   | 3,170         | 3,444         | 3,240         | 3,216         | 3,227         | 3,977         |
| <b>Net Interest Income Adjusted for Credit Risk</b>     | <b>7,598</b>  | <b>7,690</b>  | <b>8,607</b>  | <b>9,198</b>  | <b>10,044</b> | <b>9,486</b>  |
| Transferencia de Fondos                                 | 273           | 313           | 334           | 367           | 368           | 390           |
| Manejo de Cuenta                                        | 484           | 519           | 523           | 612           | 614           | 639           |
| Servicios de Banca Electrónica                          | 1,341         | 1,394         | 1,444         | 1,628         | 1,639         | 1,709         |
| Por Créditos Comerciales y Vivienda                     | 191           | 181           | 193           | 231           | 94            | 193           |
| Por créditos de Consumo                                 | 835           | 786           | 924           | 1,106         | 997           | 1,052         |
| Fiduciario                                              | 80            | 86            | 72            | 107           | 91            | 101           |
| Ingresos por Portafolios Inmobiliarios                  | 8             | 2             | 31            | 11            | 5             | 9             |
| Fondos de Inversión                                     | -             | -             | -             | -             | -             | -             |
| Asesoría e Intermediación financiera                    | 1             | 1             | 1             | 1             | 1             | 1             |
| Otras Comisiones Cobradas (1) *                         | 364           | 431           | 443           | 446           | 473           | 464           |
| <b>Comisiones por Servicios Cobrados</b>                | <b>3,577</b>  | <b>3,713</b>  | <b>3,966</b>  | <b>4,508</b>  | <b>4,282</b>  | <b>4,557</b>  |
| Cuotas de Intercambio                                   | 584           | 602           | 613           | 706           | 722           | 762           |
| Comisiones de Seguros                                   | -             | -             | -             | -             | -             | -             |
| Other Fees Paid                                         | 398           | 500           | 512           | 583           | 742           | 717           |
| <b>Fees Paid on Services</b>                            | <b>982</b>    | <b>1,102</b>  | <b>1,126</b>  | <b>1,288</b>  | <b>1,464</b>  | <b>1,479</b>  |
| <b>Net Fees</b>                                         | <b>2,595</b>  | <b>2,612</b>  | <b>2,840</b>  | <b>3,220</b>  | <b>2,817</b>  | <b>3,078</b>  |
| Divisas y Metales                                       | 6             | 21            | (5)           | 32            | (124)         | (11)          |
| Derivados                                               | 80            | (36)          | 341           | 1             | 16            | (49)          |
| Títulos                                                 | 93            | 103           | (349)         | 28            | (63)          | 26            |
| Valuación                                               | 179           | 88            | (14)          | 62            | (172)         | (34)          |
| Divisas y Metales                                       | 254           | 366           | 454           | 437           | 520           | 523           |
| Derivados                                               | 3             | (93)          | 62            | 14            | 281           | 73            |
| Títulos                                                 | 31            | 13            | 98            | (113)         | 64            | 149           |
| Compra-venta                                            | 288           | 285           | 614           | 337           | 865           | 745           |
| <b>Trading Income</b>                                   | <b>467</b>    | <b>373</b>    | <b>600</b>    | <b>399</b>    | <b>693</b>    | <b>711</b>    |
| Recuperación de cartera de crédito                      | 335           | 364           | 400           | 432           | 409           | 459           |
| Portafolios de crédito                                  | 44            | 41            | 35            | 21            | 30            | 30            |
| Resultado por bienes adjudicados                        | 28            | 97            | (28)          | 28            | 12            | (266)         |
| Liberación de Provisiones                               | 142           | 170           | 28            | 39            | 160           | 85            |
| Quebrantos y Estimaciones                               | (242)         | (319)         | (155)         | (156)         | (280)         | (325)         |
| Deterioro de Activos                                    | -             | -             | -             | -             | (58)          | (9)           |
| Ingresos por Arrendamiento                              | 6             | 7             | 15            | 13            | 8             | 8             |
| Provenientes de Seguros                                 | -             | -             | -             | -             | -             | -             |
| Otros                                                   | 87            | 238           | 218           | 188           | 285           | 333           |
| <b>Total Other Operating Income (Expenses)</b>          | <b>400</b>    | <b>599</b>    | <b>513</b>    | <b>566</b>    | <b>566</b>    | <b>314</b>    |
| <b>Total Non-Interest Income</b>                        | <b>3,462</b>  | <b>3,583</b>  | <b>3,953</b>  | <b>4,185</b>  | <b>4,077</b>  | <b>4,102</b>  |
| <b>Total Operating Income</b>                           | <b>11,059</b> | <b>11,273</b> | <b>12,561</b> | <b>13,383</b> | <b>14,121</b> | <b>13,588</b> |
| Personnel                                               | 3,017         | 2,833         | 3,230         | 3,209         | 3,361         | 3,127         |
| Employee Profit Sharing (PTU)                           | 95            | 95            | 95            | 97            | 99            | 99            |
| Professional Fees                                       | 424           | 491           | 456           | 474           | 463           | 612           |
| Administrative and Promotional Expenses                 | 1,708         | 1,522         | 1,689         | 1,834         | 1,809         | 1,827         |
| Rents, Depreciation & Amortization                      | 1,044         | 1,045         | 1,133         | 1,178         | 1,219         | 1,184         |
| Taxes other than income tax & non-deductible expenses   | 361           | 298           | 261           | 239           | 458           | 337           |
| Contributions to IPAB/Fobaproa                          | 562           | 575           | 580           | 607           | 634           | 636           |
| <b>Total Non-Interest Expense</b>                       | <b>7,212</b>  | <b>6,859</b>  | <b>7,445</b>  | <b>7,638</b>  | <b>8,043</b>  | <b>7,822</b>  |
| <b>Operating Income</b>                                 | <b>3,847</b>  | <b>4,414</b>  | <b>5,115</b>  | <b>5,745</b>  | <b>6,078</b>  | <b>5,766</b>  |
| Subsidiaries' Net Income                                | 333           | 322           | 371           | 18            | 14            | 17            |
| <b>Pre-Tax Income</b>                                   | <b>4,180</b>  | <b>4,735</b>  | <b>5,486</b>  | <b>5,763</b>  | <b>6,092</b>  | <b>5,783</b>  |
| Income Tax                                              | 1,122         | 1,023         | 1,703         | 1,631         | 1,541         | 1,509         |
| Tax on Assets                                           | -             | -             | -             | -             | -             | -             |
| Deferred Income Tax                                     | (105)         | 131           | (239)         | 96            | 320           | 89            |
| <b>Taxes</b>                                            | <b>1,017</b>  | <b>1,155</b>  | <b>1,464</b>  | <b>1,727</b>  | <b>1,861</b>  | <b>1,597</b>  |
| <b>Net Income from Continuous Operations</b>            | <b>3,163</b>  | <b>3,580</b>  | <b>4,022</b>  | <b>4,036</b>  | <b>4,232</b>  | <b>4,185</b>  |
| Discontinued Operations                                 | 59            | 72            | 44            | 68            | 74            | 6             |
| Minority Interest                                       | (0)           | (0)           | (0)           | (0)           | 0             | (0)           |
| <b>Net Income</b>                                       | <b>3,222</b>  | <b>3,652</b>  | <b>4,066</b>  | <b>4,104</b>  | <b>4,305</b>  | <b>4,191</b>  |

| Consolidated Bank - Balance Sheet<br>(Million Pesos)                          | 1Q16           | 2Q16           | 3Q16           | 4Q16             | 1Q17           | 2Q17             |
|-------------------------------------------------------------------------------|----------------|----------------|----------------|------------------|----------------|------------------|
| <b>ASSETS</b>                                                                 |                |                |                |                  |                |                  |
| <b>Cash and Due from Banks</b>                                                | <b>93,984</b>  | <b>89,964</b>  | <b>70,693</b>  | <b>65,844</b>    | <b>60,405</b>  | <b>65,822</b>    |
| <b>Margin Accounts</b>                                                        | <b>269</b>     | <b>513</b>     | <b>745</b>     | <b>2,185</b>     | <b>1,909</b>   | <b>2,635</b>     |
| Negotiable Instruments                                                        | 153,455        | 155,285        | 167,884        | 129,477          | 150,913        | 159,894          |
| Securities Available for Sale                                                 | 87,079         | 101,129        | 100,691        | 153,128          | 106,886        | 110,750          |
| Securities Held to Maturity                                                   | 7,730          | 7,678          | 6,279          | 6,258            | 6,245          | 6,202            |
| <b>Investment in Securities</b>                                               | <b>248,265</b> | <b>264,091</b> | <b>274,854</b> | <b>288,863</b>   | <b>264,044</b> | <b>276,846</b>   |
| <b>Non-assigned Securities for Settlement</b>                                 | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>-</b>         | <b>-</b>       | <b>-</b>         |
| <b>Debtor Balance in Repo Trans,net</b>                                       | <b>342</b>     | <b>16</b>      | <b>72</b>      | <b>0</b>         | <b>2</b>       | <b>0</b>         |
| <b>Securities Lending</b>                                                     | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>-</b>         | <b>-</b>       | <b>-</b>         |
| For trading purposes                                                          | 18,045         | 20,703         | 16,191         | 40,881           | 22,738         | 20,352           |
| For hedging purposes                                                          | 100            | 76             | 113            | 742              | 387            | 216              |
| Operations w/Derivatives & Securities                                         | -              | -              | -              | -                | -              | -                |
| <b>Transactions with Derivatives</b>                                          | <b>18,145</b>  | <b>20,779</b>  | <b>16,304</b>  | <b>41,623</b>    | <b>23,125</b>  | <b>20,568</b>    |
| <b>Operations w/Derivatives &amp; Securities</b>                              | <b>18,487</b>  | <b>20,796</b>  | <b>16,376</b>  | <b>41,623</b>    | <b>23,126</b>  | <b>20,568</b>    |
| <b>Valuation adjustments for Asset Coverage</b>                               | <b>124</b>     | <b>121</b>     | <b>117</b>     | <b>113</b>       | <b>110</b>     | <b>106</b>       |
| Commercial Loans                                                              | 179,187        | 181,016        | 184,411        | 201,753          | 199,150        | 208,717          |
| Financial Intermediaries' Loans                                               | 16,222         | 18,071         | 18,386         | 20,240           | 21,122         | 23,538           |
| Consumer Loans                                                                | 75,457         | 78,610         | 82,589         | 86,632           | 90,824         | 93,999           |
| Mortgage Loans                                                                | 100,743        | 104,733        | 108,955        | 114,807          | 119,310        | 124,206          |
| Medium and Residential                                                        | 97,003         | 100,950        | 105,020        | 110,825          | 115,226        | 120,197          |
| low income housing                                                            | 62             | 48             | 43             | 40               | 37             | 33               |
| Loans acquired from INFONAVIT or FOVISSSTE                                    | 3,679          | 3,735          | 3,892          | 3,942            | 4,048          | 3,975            |
| Restructuring or improvement guaranteed by development banks or public trusts | -              | -              | -              | -                | -              | -                |
| Government Entities' Loans                                                    | 135,866        | 133,626        | 128,981        | 133,540          | 130,183        | 133,394          |
| Loans granted as Federal Agent                                                | -              | -              | -              | -                | -              | -                |
| <b>Performing Loans</b>                                                       | <b>507,476</b> | <b>516,055</b> | <b>523,323</b> | <b>556,971</b>   | <b>560,589</b> | <b>583,853</b>   |
| Commercial PDL's                                                              | 7,756          | 7,562          | 7,326          | 5,467            | 5,677          | 5,570            |
| Financial Intermediaries PDL's                                                | 0              | 344            | 344            | 344              | 344            | 0                |
| Consumer PDL's                                                                | 2,627          | 3,281          | 3,205          | 3,200            | 2,993          | 3,867            |
| Mortgage PDL's                                                                | 1,094          | 1,141          | 1,119          | 1,049            | 1,019          | 1,161            |
| Medium and Residential                                                        | 1,034          | 1,064          | 1,044          | 952              | 911            | 1,044            |
| low income housing                                                            | 7              | 2              | 2              | 1                | 1              | 1                |
| Loans acquired from INFONAVIT or FOVISSSTE                                    | 53             | 74             | 74             | 96               | 106            | 117              |
| Restructuring or improvement guaranteed by development banks or public trusts | -              | -              | -              | -                | -              | -                |
| Government Entities PDL's                                                     | -              | -              | -              | -                | -              | -                |
| <b>Past Due Loans</b>                                                         | <b>11,477</b>  | <b>12,328</b>  | <b>11,995</b>  | <b>10,060</b>    | <b>10,034</b>  | <b>10,598</b>    |
| <b>Gross Loan Portfolio</b>                                                   | <b>518,953</b> | <b>528,383</b> | <b>535,318</b> | <b>567,031</b>   | <b>570,622</b> | <b>594,452</b>   |
| Preventive Loan Loss Reserves                                                 | 13,455         | 14,612         | 14,694         | 13,941           | 13,805         | 15,499           |
| <b>Net Loan Portfolio</b>                                                     | <b>505,498</b> | <b>513,772</b> | <b>520,623</b> | <b>553,090</b>   | <b>556,818</b> | <b>578,953</b>   |
| Acquired Collection Rights                                                    | 1,310          | 1,165          | 1,473          | 1,400            | 1,477          | 1,394            |
| <b>Total Credit Portfolio</b>                                                 | <b>506,808</b> | <b>514,937</b> | <b>522,096</b> | <b>554,490</b>   | <b>558,294</b> | <b>580,347</b>   |
| Benef. receivab. securization transactions                                    | 149            | 153            | 202            | 155              | 151            | 152              |
| Sundry Debtors & Other Accs Rec, Net                                          | 27,130         | 27,118         | 28,856         | 39,989           | 36,363         | 26,519           |
| Inventories                                                                   | -              | -              | -              | -                | -              | -                |
| Foreclosed Assets, Net                                                        | 1,681          | 1,588          | 1,402          | 1,222            | 1,182          | 791              |
| Real Estate, Furniture & Equipment, Net                                       | 10,807         | 11,178         | 11,444         | 11,927           | 12,120         | 12,306           |
| Investment in Subsidiaries                                                    | 12,543         | 12,843         | 13,214         | 185              | 199            | 119              |
| Long-term assets held for sale                                                | 4,481          | 4,801          | 5,036          | 5,299            | -              | -                |
| Deferred Taxes, Net                                                           | 3,247          | 3,148          | 3,491          | 4,227            | 3,602          | 3,651            |
| Goodwill and Intangibles                                                      | 10,359         | 10,331         | 10,300         | 11,214           | 10,775         | 10,805           |
| Other Assets Short and Long Term                                              | 3,609          | 3,379          | 3,095          | 3,097            | 2,914          | 2,364            |
|                                                                               | 74,006         | 74,539         | 77,039         | 77,316           | 67,306         | 56,707           |
| <b>TOTAL ASSETS</b>                                                           | <b>941,943</b> | <b>964,962</b> | <b>961,921</b> | <b>1,030,435</b> | <b>975,193</b> | <b>1,003,031</b> |

| Consolidated Bank - Balance Sheet<br>(Million Pesos)                         | 1Q16           | 2Q16           | 3Q16           | 4Q16             | 1Q17           | 2Q17             |
|------------------------------------------------------------------------------|----------------|----------------|----------------|------------------|----------------|------------------|
| <b>LIABILITIES</b>                                                           |                |                |                |                  |                |                  |
| Demand Deposits                                                              | 325,725        | 336,538        | 349,118        | 382,409          | 366,454        | 367,839          |
| Time Deposits-Retail                                                         | 207,637        | 216,703        | 193,991        | 190,535          | 209,212        | 227,186          |
| Time Deposits-Money Market                                                   | 2,904          | 1,068          | 1,400          | 1,459            | 1,115          | 15,394           |
| Global Account of deposits without movements                                 | 1,171          | 1,224          | 1,250          | 1,352            | 1,410          | 1,456            |
| Senior Unsecured Debt                                                        | -              | -              | -              | -                | -              | 2,750            |
| <b>Deposits</b>                                                              | <b>537,438</b> | <b>555,532</b> | <b>545,759</b> | <b>575,755</b>   | <b>578,191</b> | <b>614,625</b>   |
| Demand Loans                                                                 | 6,928          | 0              | 0              | 4,019            | 1,137          | 1,591            |
| Short Term Loans                                                             | 6,845          | 7,018          | 6,535          | 8,063            | 7,204          | 7,557            |
| Long Term Loans                                                              | 7,197          | 7,593          | 8,667          | 9,178            | 8,702          | 8,495            |
| <b>Due to Banks &amp; Correspondents</b>                                     | <b>20,970</b>  | <b>14,612</b>  | <b>15,202</b>  | <b>21,260</b>    | <b>17,043</b>  | <b>17,642</b>    |
| Non-assigned Securities for Settlement                                       | -              | -              | -              | -                | -              | -                |
| Creditor Balance in Repo Trans, Net                                          | 215,119        | 216,288        | 224,490        | 234,490          | 210,936        | 218,158          |
| Secs to be received in Repo Trans, Net                                       | -              | -              | -              | -                | -              | -                |
| Repos (Credit Balance)                                                       | 0              | (0)            | 6              | 0                | 2              | 0                |
| Securities' Loans                                                            | -              | -              | -              | -                | -              | -                |
| Transactions with Derivatives                                                | -              | -              | -              | -                | -              | -                |
| Other sold collateral                                                        | -              | -              | -              | -                | -              | -                |
| <b>Total Collateral sold</b>                                                 | <b>0</b>       | <b>(0)</b>     | <b>6</b>       | <b>0</b>         | <b>2</b>       | <b>0</b>         |
| For trading purposes                                                         | 18,829         | 21,961         | 18,597         | 40,403           | 22,092         | 19,445           |
| For hedging purposes                                                         | 6,161          | 6,825          | 8,671          | 9,372            | 6,555          | 6,552            |
| Operations w/ Derivatives & Securities                                       | -              | -              | -              | -                | -              | -                |
| <b>Transactions with Derivatives</b>                                         | <b>24,990</b>  | <b>28,786</b>  | <b>27,268</b>  | <b>49,776</b>    | <b>28,647</b>  | <b>25,997</b>    |
| <b>Total Operations w/ Derivatives &amp; Securities</b>                      | <b>240,109</b> | <b>245,074</b> | <b>251,765</b> | <b>284,265</b>   | <b>239,585</b> | <b>244,155</b>   |
| Valuation adjustments for financial liability coverage                       | -              | -              | -              | -                | -              | -                |
| Obligations in securitization transactions                                   | -              | -              | -              | -                | -              | -                |
| Income Tax Payable                                                           | 751            | 1,062          | 1,305          | 1,965            | 1,477          | 1,143            |
| Profit Sharing Payable                                                       | 135            | 206            | 299            | 396              | 494            | 222              |
| Creditors for settlement of transactions                                     | 8,291          | 11,086         | 8,072          | 6,988            | 6,516          | 6,828            |
| Margin Accounts Payable                                                      | -              | -              | -              | -                | -              | -                |
| Other Creditors & Accounts Payable                                           | 14,345         | 13,519         | 13,561         | 24,770           | 19,290         | 17,026           |
| <b>Other Payable Accounts</b>                                                | <b>23,522</b>  | <b>25,873</b>  | <b>23,237</b>  | <b>34,120</b>    | <b>27,777</b>  | <b>25,218</b>    |
| Subordinated Non Convertible Debt                                            | 17,475         | 17,821         | 18,246         | 21,917           | 17,551         | 13,733           |
| Deferred Taxes, Net                                                          | -              | -              | -              | -                | -              | -                |
| Deferred Credits                                                             | 861            | 682            | 557            | 331              | 142            | 107              |
| <b>TOTAL LIABILITIES</b>                                                     | <b>840,375</b> | <b>859,594</b> | <b>854,765</b> | <b>937,648</b>   | <b>880,289</b> | <b>915,480</b>   |
| <b>EQUITY</b>                                                                |                |                |                |                  |                |                  |
| Paid-in Capital                                                              | 20,074         | 20,074         | 20,074         | 18,105           | 18,105         | 18,105           |
| Provision for future capital increase not formalized by its governing entity | -              | -              | -              | -                | -              | -                |
| Share Subscription Premiums                                                  | 11,754         | 11,862         | 11,976         | 72               | 180            | 294              |
| Subordinated Convertible Debentures                                          | -              | -              | -              | -                | -              | -                |
| <b>Subscribed Capital</b>                                                    | <b>31,828</b>  | <b>31,936</b>  | <b>32,050</b>  | <b>18,177</b>    | <b>18,285</b>  | <b>18,399</b>    |
| Capital Reserves                                                             | 10,157         | 11,509         | 11,509         | 11,509           | 11,509         | 13,013           |
| Retained Earnings                                                            | 58,434         | 56,480         | 53,876         | 50,215           | 62,685         | 49,462           |
| Surplus (Deficit) of Secs Available for Sale                                 | (1,224)        | (768)          | (108)          | (1,645)          | (1,139)        | (752)            |
| Results from Valuation of Hedging Secs                                       | (1,708)        | (1,770)        | (2,411)        | (2,131)          | (1,827)        | (1,982)          |
| Result in the valuation reserve for unexpired risks variations in rates      | -              | -              | -              | -                | -              | -                |
| Results from Conversions                                                     | 972            | 1,350          | 1,673          | 1,985            | 1,579          | 1,544            |
| Remeasurements defined benefits for employees                                | (123)          | (253)          | (382)          | (377)            | (503)          | (629)            |
| Surplus (Deficit) in Capital Restatement                                     | -              | -              | -              | -                | -              | -                |
| Adjustments in the Employee's Pensions                                       | -              | -              | -              | -                | -              | -                |
| Accumulated Effect of Deferred Taxes                                         | -              | -              | -              | -                | -              | -                |
| Net Income                                                                   | 3,222          | 6,875          | 10,941         | 15,044           | 4,305          | 8,496            |
| <b>Earned Capital</b>                                                        | <b>69,730</b>  | <b>73,422</b>  | <b>75,096</b>  | <b>74,600</b>    | <b>76,609</b>  | <b>69,152</b>    |
| Minority Interest                                                            | 10             | 10             | 10             | 10               | 10             | 0                |
| <b>Total Equity</b>                                                          | <b>101,568</b> | <b>105,367</b> | <b>107,156</b> | <b>92,787</b>    | <b>94,904</b>  | <b>87,551</b>    |
| <b>TOTAL LIABILITIES &amp; EQUITY</b>                                        | <b>941,943</b> | <b>964,962</b> | <b>961,921</b> | <b>1,030,435</b> | <b>975,193</b> | <b>1,003,031</b> |

| Consolidated Bank - Memorandum Accounts<br>(Million Pesos) | 1Q16           | 2Q16           | 3Q16           | 4Q16           | 1Q17             | 2Q17           |
|------------------------------------------------------------|----------------|----------------|----------------|----------------|------------------|----------------|
| Investment Banking transactions for third parties, net     | 71,038         | 65,031         | 92,104         | 93,307         | 90,367           | 77,102         |
| <b>TOTAL ON BEHALF OF THIRD PARTIES</b>                    | <b>71,038</b>  | <b>65,031</b>  | <b>92,104</b>  | <b>93,307</b>  | <b>90,367</b>    | <b>77,102</b>  |
| <b>Proprietary Transactions</b>                            |                |                |                |                |                  |                |
| Endorsement Guarantees Granted                             | -              | -              | -              | -              | -                | -              |
| Loan Obligations                                           | 164,071        | 170,431        | 221,960        | 285,690        | 287,187          | 217,510        |
| Trusts                                                     | 306,517        | 320,511        | 309,671        | 289,905        | 271,144          | 279,574        |
| Mandates                                                   | 8,571          | 9,824          | 9,557          | 2,268          | 2,712            | 13,148         |
| Properties in Trusts and Warrant                           | 315,088        | 330,336        | 319,228        | 292,174        | 273,856          | 292,722        |
| Properties in Custody or Management                        | 310,030        | 322,924        | 308,394        | 294,203        | 321,987          | 359,766        |
| Collateral Received                                        | 86,437         | 65,935         | 73,162         | 82,197         | 158,596          | 97,317         |
| Collateral Received or sold                                | 28,941         | 6,975          | 12,846         | 20,124         | 94,204           | 30,833         |
| Drafts in Transit                                          | -              | -              | -              | -              | -                | -              |
| Deposits of assets                                         | -              | -              | -              | -              | -                | -              |
| Letters of Credit to the Corporation as Guarantee          | -              | -              | -              | -              | -                | -              |
| Securities to the Corporation for Custody                  | -              | -              | -              | -              | -                | -              |
| Government Secs of the Corp under Custody                  | -              | -              | -              | -              | -                | -              |
| Securities of the Corp given as Guarantee                  | -              | -              | -              | -              | -                | -              |
| Securities of the Corp Abroad                              | -              | -              | -              | -              | -                | -              |
| Settlement with FX of the Corp Abroad                      | -              | -              | -              | -              | -                | -              |
| Debts with the Contingency Fund                            | -              | -              | -              | -              | -                | -              |
| Contingent assets & liabilities                            | 26             | 33             | 40             | 45             | 63               | 73             |
| Uncollected Accrued Interest from Past Due Loans           | 449            | 483            | 465            | 439            | 436              | 470            |
| Investments of Retirement Savings Funds                    | -              | -              | -              | -              | -                | -              |
| Integration of the Credit Portfolio                        | -              | -              | -              | -              | -                | -              |
| Amounts Contracted in Derivatives                          | -              | -              | -              | -              | -                | -              |
| <b>Proprietary Transactions</b>                            | <b>905,041</b> | <b>897,117</b> | <b>936,095</b> | <b>974,870</b> | <b>1,136,328</b> | <b>998,692</b> |
| Repo Securities to be Received                             | -              | -              | -              | -              | -                | -              |
| (Minus) Repo Creditors                                     | -              | -              | -              | -              | -                | -              |
| <b>Net Repo Transactions</b>                               | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>-</b>         | <b>-</b>       |
| Repo Debtors                                               | -              | -              | -              | -              | -                | -              |
| (Minus) Repo Securities to be Delivered                    | -              | -              | -              | -              | -                | -              |
| <b>Net Repo Transactions</b>                               | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>-</b>         | <b>-</b>       |
| <b>TOTAL PROPRIETARY</b>                                   | <b>905,041</b> | <b>897,117</b> | <b>936,095</b> | <b>974,870</b> | <b>1,136,328</b> | <b>998,692</b> |

**BANORTE - CONSOLIDATED STATEMENT OF CASH FLOW****JANUARY 1, 2016 – JUNE 30, 2017***(Million Pesos)*

|                                                                                     |                 |
|-------------------------------------------------------------------------------------|-----------------|
| <b>Net Income</b>                                                                   | <b>8,496</b>    |
| <b>Items charged to results that do not generate or require use of resources</b>    |                 |
| Depreciation                                                                        | 765             |
| Provisions                                                                          | (2,503)         |
| Income taxes and deferred                                                           | 3,458           |
| Minority Interest                                                                   | (31)            |
| Discontinued Operations                                                             | 79              |
|                                                                                     | <b>10,264</b>   |
| <b>Change in items related to operations</b>                                        |                 |
| Change in Margin Accounts                                                           | (449)           |
| Change in Investment in Securities                                                  | 12,909          |
| Change in repo debtors                                                              | 0               |
| Change in derivatives (assets)                                                      | 20,537          |
| Change in Loan Portfolio (net)                                                      | (26,549)        |
| Change in purchased receivables (net)                                               | 6               |
| Change in accounts receivable insurance and bonding institutions (net)              |                 |
| Change in debtor premiums (net)                                                     |                 |
| Change in Reinsurance (net)                                                         |                 |
| Change in benefits to receive from securitizations                                  | 3               |
| Change in foreclosed assets (net)                                                   | 431             |
| Change in other operating assets (net)                                              | 14,442          |
| Change in core deposits                                                             | 38,869          |
| Change in interbank loans and other entities                                        | (3,602)         |
| Change in repo creditors                                                            | (16,332)        |
| Change in collateral pledged sold                                                   | 0               |
| Change in derivatives (liability)                                                   | (20,959)        |
| Change in Technical Reserves (net)                                                  |                 |
| Change in Reinsurance (net) (liability)                                             |                 |
| Change in subordinated debt with characteristics of liabilities                     | (7,759)         |
| Change in other operating liabilities                                               | (5,782)         |
| Change in hedging instruments (the related hedged transaction activities)           | (2,146)         |
| Discontinued Operational Assets                                                     | (59)            |
| Income Tax Payments                                                                 | (3,789)         |
| <b>Net cash generated or used from operations</b>                                   | <b>10,035</b>   |
| <b>Investment Activities</b>                                                        |                 |
| Charges for disposal of property, furniture and equipment                           | 49              |
| Payments for acquisition of property, furniture and equipment                       | (1,225)         |
| Charges for disposal of subsidiaries, associated and agreements with mutual control | 3,195           |
| Charges for cash dividends                                                          | 1,214           |
| <b>Net cash generated or used from investment activities</b>                        | <b>3,233</b>    |
| <b>Financing Activities</b>                                                         |                 |
| Payments of cash dividends                                                          | (13,200)        |
| <b>Net cash flows from financing activities</b>                                     | <b>(13,200)</b> |
| <b>Net Cash Increase (decrease) and equivalents value</b>                           | <b>68</b>       |
| <b>Effects for changes in cash and equivalents value</b>                            | <b>(90)</b>     |
| <b>Cash and cash equivalents at beginning of period</b>                             | <b>65,844</b>   |
| <b>Cash and cash equivalents at end of period</b>                                   | <b>65,822</b>   |

## BANORTE - CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

JANUARY 1, 2017 – JUNE 30, 2017  
(Million Pesos)

| (Million Pesos)                                                                                         |                       |                                 |                  |                   |                                                    |                                              |                          |                                               |            |                   |                            |
|---------------------------------------------------------------------------------------------------------|-----------------------|---------------------------------|------------------|-------------------|----------------------------------------------------|----------------------------------------------|--------------------------|-----------------------------------------------|------------|-------------------|----------------------------|
|                                                                                                         | CONTRIBUTED CAPITAL   |                                 | EARNED CAPITAL   |                   |                                                    |                                              |                          |                                               |            |                   |                            |
|                                                                                                         | Fixed Paid-in Capital | Premium from sale of securities | Capital Reserves | Retained Earnings | Valuation Effects of Securities Available for Sale | Results from val of instrum Cash flow hedges | Results from Conversions | Remeasurements defined benefits for employees | Net Income | Minority Interest | Total Stockholders' Equity |
| Balance as of December 31, 2016                                                                         | 18,105                | 72                              | 11,509           | 50,215            | (1,645)                                            | (2,131)                                      | 1,985                    | (377)                                         | 15,044     | 10                | 92,787                     |
| <u>Changes stemming from stockholders' decisions</u>                                                    |                       |                                 |                  |                   |                                                    |                                              |                          |                                               |            |                   |                            |
| Capitalization of profits                                                                               |                       |                                 |                  | 15,044            |                                                    |                                              |                          |                                               | (15,044)   |                   |                            |
| Dividends declared by the General Assembly of Shareholders on February 17, 2017 and April 28, 2017      |                       |                                 |                  | (13,200)          |                                                    |                                              |                          |                                               |            |                   | (13,200)                   |
| Creation of Reserves according to Annual General Ordinary Shareholders Meeting held on April 28, 2017.  |                       |                                 | 1,504            | (1,504)           |                                                    |                                              |                          |                                               |            |                   | 0                          |
| Payment plan based on equity-settle shares in equity instrument                                         |                       | 222                             |                  |                   |                                                    |                                              |                          |                                               |            |                   | 222                        |
| INB's Sale Accounting Effect                                                                            |                       |                                 |                  | (365)             |                                                    |                                              |                          |                                               |            |                   | (365)                      |
| Total                                                                                                   | 0                     | 222                             | 1,504            | (25)              | 0                                                  | 0                                            | 0                        | 0                                             | (15,044)   | 0                 | (13,343)                   |
| <u>Changes stemming from profits</u>                                                                    |                       |                                 |                  |                   |                                                    |                                              |                          |                                               |            |                   |                            |
| <u>Total profits:</u>                                                                                   |                       |                                 |                  |                   |                                                    |                                              |                          |                                               |            |                   |                            |
| Net Income                                                                                              |                       |                                 |                  |                   |                                                    |                                              |                          |                                               | 0          |                   | 0                          |
| Result from valuation of securities available for sale                                                  |                       |                                 |                  |                   | 893                                                |                                              |                          |                                               |            |                   | 893                        |
| Conversion accumulated effect                                                                           |                       |                                 |                  |                   |                                                    |                                              | 0                        |                                               |            |                   | 0                          |
| Result from valuation of instruments of cash flow hedges                                                |                       |                                 |                  |                   |                                                    | 0                                            |                          |                                               |            |                   | 0                          |
| Remeasurements defined benefits for employees                                                           |                       |                                 |                  | 0                 |                                                    |                                              |                          | 0                                             |            |                   | 0                          |
| Modification in the norms of the qualification of non-revolving consumer and mortgage housing portfolio |                       |                                 |                  | (711)             |                                                    |                                              |                          | 0                                             |            |                   | (711)                      |
| Total                                                                                                   | 0                     | 0                               | 0                | (728)             | 893                                                | 149                                          | (441)                    | (252)                                         | 8,496      | 0                 | 8,117                      |
| Recognition of minority interest                                                                        | 0                     | 0                               | 0                | 0                 | 0                                                  | 0                                            | 0                        | 0                                             | 0          | (10)              | (10)                       |
| Balance as of June 30, 2017                                                                             | 18,105                | 294                             | 13,013           | 49,462            | (752)                                              | (1,982)                                      | 1,544                    | (629)                                         | 8,496      | 0                 | 87,551                     |

## Seguros Banorte

| <b>Income Statement - Insurance - Seguros Banorte</b><br>(Million Pesos) | <b>1Q16</b>  | <b>2Q16</b>  | <b>3Q16</b>  | <b>4Q16</b>  | <b>1Q17</b>  | <b>2Q17</b>  | <b>2016</b>    | <b>1H17</b>  |
|--------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|--------------|
| Interest Income                                                          | 133          | 125          | 143          | 172          | 179          | 252          | 572            | 431          |
| Interest Expense                                                         | 7            | (7)          | -            | -            | 5            | (2)          | -              | 3            |
| Premium Income (Net)                                                     | 6,389        | 2,627        | 2,304        | 3,215        | 5,986        | 4,336        | 14,534         | 10,323       |
| Net Increase in Technical Reserves                                       | 2,284        | (529)        | (1,097)      | (114)        | 1,920        | 463          | 544            | 2,384        |
| Damages, Claims and Other Obligations                                    | 1,995        | 2,312        | 2,298        | 2,321        | 2,325        | 2,602        | 8,927          | 4,927        |
| <b>Net Interest Income</b>                                               | <b>2,236</b> | <b>975</b>   | <b>1,245</b> | <b>1,179</b> | <b>1,916</b> | <b>1,524</b> | <b>5,635</b>   | <b>3,440</b> |
| <b>Fees Charged on Services</b>                                          | -            | -            | -            | -            | -            | -            | -              | -            |
| <b>Fees Paid on Services</b>                                             | <b>838</b>   | <b>264</b>   | <b>424</b>   | <b>517</b>   | <b>564</b>   | <b>469</b>   | <b>2,042</b>   | <b>1,033</b> |
| Securities-Valuation Gains                                               | -            | -            | -            | -            | -            | -            | -              | -            |
| Securities Trading                                                       | 1            | 18           | 27           | (3)          | 12           | (5)          | 43             | 7            |
| <b>Trading Income</b>                                                    | <b>1</b>     | <b>18</b>    | <b>27</b>    | <b>(3)</b>   | <b>12</b>    | <b>(5)</b>   | <b>43</b>      | <b>7</b>     |
| From Insurance                                                           | 205          | 282          | 248          | 264          | 232          | 213          | 999            | 445          |
| Losses and Estimates                                                     | (56)         | 2            | 44           | 8            | (7)          | (43)         | (2)            | (50)         |
| Other Operating Income (Expense)                                         | 0            | 0            | 0            | 2            | 3            | 2            | 3              | 5            |
| <b>Total Other Operating Income (Expenses)</b>                           | <b>149</b>   | <b>284</b>   | <b>292</b>   | <b>274</b>   | <b>228</b>   | <b>172</b>   | <b>999</b>     | <b>400</b>   |
| <b>Total Non-Interest Income</b>                                         | <b>(688)</b> | <b>38</b>    | <b>(105)</b> | <b>(246)</b> | <b>(324)</b> | <b>(302)</b> | <b>(1,000)</b> | <b>(626)</b> |
| <b>Total Operating Income</b>                                            | <b>1,548</b> | <b>1,013</b> | <b>1,141</b> | <b>934</b>   | <b>1,592</b> | <b>1,222</b> | <b>4,635</b>   | <b>2,814</b> |
| Personnel                                                                | 82           | 88           | 85           | 94           | 84           | 90           | 349            | 174          |
| Employee Profit Sharing (PTU)                                            | 1            | 1            | 1            | 2            | 1            | 1            | 4              | 2            |
| Professional Fees                                                        | 24           | 34           | 59           | 50           | 60           | 56           | 166            | 116          |
| Administrative and Promotional Expenses                                  | 77           | 58           | 72           | 78           | 101          | 66           | 285            | 168          |
| Rents, Depreciation & Amortization                                       | 21           | 22           | 23           | 36           | 38           | 38           | 102            | 76           |
| Taxes other than income tax & non-deductible expenses                    | 30           | 23           | 24           | 35           | 38           | (0)          | 113            | 38           |
| Contributions to IPAB/Fobaproa                                           | -            | -            | -            | -            | -            | -            | -              | -            |
| <b>Total Non-Interest Expense</b>                                        | <b>235</b>   | <b>226</b>   | <b>265</b>   | <b>294</b>   | <b>322</b>   | <b>252</b>   | <b>1,020</b>   | <b>574</b>   |
| <b>Operating Income</b>                                                  | <b>1,313</b> | <b>787</b>   | <b>876</b>   | <b>640</b>   | <b>1,270</b> | <b>970</b>   | <b>3,615</b>   | <b>2,241</b> |
| Subsidiaries' Net Income                                                 | 0            | (0)          | 0            | 281          | 369          | 316          | 281            | 685          |
| <b>Pre-Tax Income</b>                                                    | <b>1,313</b> | <b>787</b>   | <b>876</b>   | <b>920</b>   | <b>1,639</b> | <b>1,287</b> | <b>3,896</b>   | <b>2,925</b> |
| Income Tax                                                               | 397          | 239          | 320          | 86           | 387          | 298          | 1,042          | 685          |
| Deferred Income Tax                                                      | -            | -            | (49)         | (10)         | (4)          | (4)          | (59)           | (7)          |
| <b>Taxes</b>                                                             | <b>397</b>   | <b>239</b>   | <b>271</b>   | <b>76</b>    | <b>384</b>   | <b>295</b>   | <b>983</b>     | <b>678</b>   |
| <b>Net Income from Continuous Operations</b>                             | <b>917</b>   | <b>548</b>   | <b>604</b>   | <b>844</b>   | <b>1,255</b> | <b>992</b>   | <b>2,913</b>   | <b>2,247</b> |
| Discontinued Operations                                                  | -            | -            | -            | -            | -            | -            | -              | -            |
| Minority Interest                                                        | (1)          | (1)          | (1)          | (8)          | (8)          | (7)          | (12)           | (15)         |
| <b>Net Income</b>                                                        | <b>916</b>   | <b>547</b>   | <b>603</b>   | <b>836</b>   | <b>1,247</b> | <b>985</b>   | <b>2,902</b>   | <b>2,232</b> |

| <b>Insurance - Seguros Banorte - Balance Sheet</b><br><i>(Million Pesos)</i> | <b>1Q16</b>   | <b>2Q16</b>   | <b>3Q16</b>   | <b>4Q16</b>   | <b>1Q17</b>   | <b>2Q17</b>   |
|------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>ASSETS</b>                                                                |               |               |               |               |               |               |
| <b>Cash and Due from Banks</b>                                               | <b>61</b>     | <b>69</b>     | <b>69</b>     | <b>67</b>     | <b>55</b>     | <b>37</b>     |
| <b>Margin Accounts</b>                                                       | -             | -             | -             | -             | -             | -             |
| Negotiable Instruments                                                       | 8,795         | 9,504         | 9,734         | 10,848        | 11,834        | 13,264        |
| Securities Available for Sale                                                | 3,570         | 2,655         | 2,415         | 2,264         | 2,232         | 2,093         |
| Securities Held to Maturity                                                  | (0)           | (0)           | (0)           | (0)           | (0)           | -             |
| <b>Investment in Securities</b>                                              | <b>12,364</b> | <b>12,159</b> | <b>12,150</b> | <b>13,112</b> | <b>14,066</b> | <b>15,356</b> |
| Debtor Balance in Repo Trans,net                                             | 60            | 46            | 0             | 0             | 1,150         | <b>927</b>    |
| Securities Lending                                                           | -             | -             | -             | -             | -             | -             |
| Transactions with Derivatives                                                | -             | -             | -             | -             | -             | -             |
| <b>Operations w/Derivatives &amp; Securities</b>                             | <b>60</b>     | <b>46</b>     | <b>0</b>      | <b>0</b>      | <b>1,150</b>  | <b>927</b>    |
| <b>Valuation adjustments for Asset Coverage</b>                              | -             | -             | -             | -             | -             | -             |
| <b>Acquired Collection Rights</b>                                            | -             | -             | -             | -             | -             | -             |
| Account Receivables                                                          | 578           | 604           | 622           | 667           | 360           | 480           |
| Premium Debtors (Net)                                                        | 9,196         | 7,566         | 5,589         | 4,189         | 8,319         | 8,105         |
| Account Receivables from Reinsurance                                         | 6,462         | 6,936         | 6,966         | 7,166         | 7,189         | 8,878         |
| Benef.receiveab.securization transactions                                    | -             | -             | -             | -             | -             | -             |
| Sundry Debtors & Other Accs Rec, Net                                         | -             | -             | -             | -             | -             | -             |
| Inventories                                                                  | -             | -             | -             | -             | -             | -             |
| Real Estate, Furniture & Equipment, Net                                      | 289           | 315           | 319           | 343           | 337           | 330           |
| Investment in Subsidiaries                                                   | 2             | 2             | 2             | 13,332        | 12,551        | 12,867        |
| Long-term assets held for sale                                               | -             | -             | -             | -             | -             | -             |
| Deferred Taxes, Net                                                          | 79            | 79            | 128           | 134           | 134           | 134           |
| Goodwill and Intangibles                                                     | 470           | 713           | 897           | 2,501         | 1,891         | 2,152         |
| Other Assets Short and Long Term                                             | 76            | 78            | 81            | 81            | 85            | 86            |
|                                                                              | <b>17,151</b> | <b>16,293</b> | <b>14,604</b> | <b>28,414</b> | <b>30,866</b> | <b>33,033</b> |
| <b>TOTAL ASSETS</b>                                                          | <b>29,637</b> | <b>28,567</b> | <b>26,823</b> | <b>41,593</b> | <b>46,137</b> | <b>49,353</b> |

| <b>Insurance - Seguros Banorte - Balance Sheet</b><br><i>(Million Pesos)</i> | <b>1Q16</b>   | <b>2Q16</b>   | <b>3Q16</b>   | <b>4Q16</b>   | <b>1Q17</b>   | <b>2Q17</b>   |
|------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>LIABILITIES</b>                                                           |               |               |               |               |               |               |
| Technical Reserves                                                           | 17,275        | 16,472        | 15,347        | 15,539        | 18,623        | 20,346        |
| <b>Total Operations w/ Derivatives &amp; Securities</b>                      | -             | -             | -             | -             | -             | -             |
| Valuation adjustments for financial liability coverage                       | -             | -             | -             | -             | -             | -             |
| Obligations in securitization transactions                                   | -             | -             | -             | -             | -             | -             |
| Payable Accountsfor Reinsurance                                              | 2,575         | 2,412         | 2,455         | 1,747         | 2,526         | 3,348         |
| Income Tax Payable                                                           | 399           | 633           | 948           | 1,028         | 409           | 702           |
| Profit Sharing Payable                                                       | -             | -             | -             | -             | -             | -             |
| Provision for future capital increase not formalized by its governing entity | -             | -             | -             | -             | -             | -             |
| Creditors for settlement of transactions                                     | -             | -             | -             | -             | -             | -             |
| Margin Accounts Payable                                                      | -             | -             | -             | -             | -             | -             |
| Other Creditors & Accounts Payable                                           | 3,838         | 3,259         | 2,590         | 2,447         | 2,770         | 2,413         |
| <b>Other Payable Accounts</b>                                                | <b>4,237</b>  | <b>3,892</b>  | <b>3,538</b>  | <b>3,475</b>  | <b>3,179</b>  | <b>3,115</b>  |
| Subordinated Non Convertible Debt                                            | -             | -             | -             | -             | -             | -             |
| Deferred Taxes, Net                                                          | -             | -             | -             | 401           | 397           | 394           |
| Deferred Credits                                                             | 140           | 102           | 84            | 68            | 66            | 60            |
| <b>TOTAL LIABILITIES</b>                                                     | <b>24,227</b> | <b>22,878</b> | <b>21,424</b> | <b>21,229</b> | <b>24,791</b> | <b>27,262</b> |
| <b>EQUITY</b>                                                                |               |               |               |               |               |               |
| Paid-in Capital                                                              | 709           | 709           | 709           | 13,766        | 13,766        | 13,766        |
| Provision for future capital increase not formalized by its governing entity | -             | -             | -             | -             | -             | -             |
| Share Subscription Premiums                                                  | -             | -             | -             | -             | -             | -             |
| Subordinated Convertible Debentures                                          | -             | -             | -             | -             | -             | -             |
| <b>Subscribed Capital</b>                                                    | <b>709</b>    | <b>709</b>    | <b>709</b>    | <b>13,766</b> | <b>13,766</b> | <b>13,766</b> |
| Capital Reserves                                                             | 540           | 717           | 717           | 1,499         | 1,499         | 1,789         |
| Retained Earnings                                                            | 3,451         | 2,674         | 1,774         | 1,768         | 4,419         | 3,879         |
| Surplus (Deficit) of Secs Available for Sale                                 | 109           | 113           | 80            | 48            | 31            | 52            |
| Results from Valuation of Hedging Secs                                       | -             | -             | -             | -             | -             | -             |
| Result in the valuation reserve for unexpired risks variations in rates      | (352)         | (24)          | 15            | 88            | 82            | 68            |
| Results from Conversions                                                     | -             | -             | -             | -             | -             | -             |
| Remeasurements defined benefits for employees                                | -             | -             | -             | -             | -             | -             |
| Surplus (Deficit) in Capital Restatement                                     | -             | -             | -             | -             | -             | -             |
| Adjustments in the Employee's Pensions                                       | -             | -             | -             | -             | -             | -             |
| Accumulated Effect of Deferred Taxes                                         | -             | -             | -             | -             | -             | -             |
| Net Income                                                                   | 916           | 1,462         | 2,065         | 2,902         | 1,247         | 2,232         |
| <b>Earned Capital</b>                                                        | <b>4,665</b>  | <b>4,943</b>  | <b>4,652</b>  | <b>6,304</b>  | <b>7,278</b>  | <b>8,020</b>  |
| Minority Interest                                                            | 36            | 37            | 38            | 294           | 302           | 305           |
| <b>Total Equity</b>                                                          | <b>5,410</b>  | <b>5,689</b>  | <b>5,399</b>  | <b>20,364</b> | <b>21,346</b> | <b>22,091</b> |
| <b>TOTAL LIABILITIES &amp; EQUITY</b>                                        | <b>29,637</b> | <b>28,567</b> | <b>26,823</b> | <b>41,593</b> | <b>46,137</b> | <b>49,353</b> |

## Information by Segments

**GFNorte - Income Statement as of June '17**
*(Million Pesos)*

|                                                     | Holding       | Banorte       | Ahorro y Previsión | Arrendadora y Factor | Almacenadora | Casa de Bolsa Banorte Ixe |
|-----------------------------------------------------|---------------|---------------|--------------------|----------------------|--------------|---------------------------|
| Interest Income                                     | 136           | 45,488        | 4,367              | 983                  | 35           | 3,586                     |
| Premium Income (Net)                                | -             | -             | 14,642             | -                    | -            | -                         |
| Interest Expense                                    | -             | 18,754        | 3                  | 594                  | 1            | 3,367                     |
| Net Increase in Technical Reserves                  | -             | -             | 8,198              | -                    | -            | -                         |
| Damages, Claims and Other Obligations               | -             | -             | 6,951              | -                    | -            | -                         |
| <b>Net Interest Income (Nil)</b>                    | <b>136</b>    | <b>26,735</b> | <b>3,858</b>       | <b>390</b>           | <b>34</b>    | <b>219</b>                |
| Preventive Provisions for Loan Losses               | -             | 7,205         | -                  | 48                   | -            | -                         |
| <b>Net Interest Income Adjusted for Credit Risk</b> | <b>136</b>    | <b>19,530</b> | <b>3,858</b>       | <b>341</b>           | <b>34</b>    | <b>219</b>                |
| Loan Origination Fees                               | -             | 8,838         | -                  | 13                   | -            | 537                       |
| Fees Paid                                           | -             | 2,943         | 1,033              | 25                   | 0            | 79                        |
| Trading Income                                      | -             | 1,404         | 242                | (2)                  | -            | 291                       |
| Other Operating Income (Expenses)                   | 0             | 880           | 394                | 310                  | 14           | 27                        |
| <b>Non Interest Income</b>                          | <b>0</b>      | <b>8,179</b>  | <b>(397)</b>       | <b>297</b>           | <b>14</b>    | <b>777</b>                |
| <b>Total Operating Income</b>                       | <b>136</b>    | <b>27,709</b> | <b>3,460</b>       | <b>638</b>           | <b>48</b>    | <b>996</b>                |
| Administrative and Promotional Expenses             | 52            | 15,865        | 716                | 123                  | 18           | 445                       |
| <b>Operating Income</b>                             | <b>84</b>     | <b>11,844</b> | <b>2,744</b>       | <b>515</b>           | <b>30</b>    | <b>551</b>                |
| Subsidiaries' Net Income                            | 11,111        | 31            | 685                | -                    | -            | (0)                       |
| <b>Pre-Tax Income</b>                               | <b>11,195</b> | <b>11,875</b> | <b>3,429</b>       | <b>515</b>           | <b>30</b>    | <b>551</b>                |
| Income Tax                                          | -             | 3,049         | 685                | 181                  | 9            | 110                       |
| Deferred Income Tax                                 | (6)           | 409           | 134                | (27)                 | (1)          | 43                        |
| <b>Net Income from Continuous Operations</b>        | <b>11,201</b> | <b>8,417</b>  | <b>2,609</b>       | <b>360</b>           | <b>21</b>    | <b>398</b>                |
| Discontinued Operations                             | -             | 79            | -                  | -                    | -            | -                         |
| Minority Interest                                   | -             | (0)           | (12)               | (0)                  | -            | -                         |
| <b>Net Income</b>                                   | <b>11,201</b> | <b>8,496</b>  | <b>2,597</b>       | <b>360</b>           | <b>21</b>    | <b>398</b>                |

**GFNorte - Income Statement as of June '17**
*(Million Pesos)*

|                                                     | Operadora de Fondos Banorte Ixe | IXE Servicios | Sólida Administradora de Portafolios | Total         | Charges Intercompany Eliminations | Credits Intercompany Eliminations | Final Balance |
|-----------------------------------------------------|---------------------------------|---------------|--------------------------------------|---------------|-----------------------------------|-----------------------------------|---------------|
| Interest Income                                     | 9                               | 1             | 211                                  | 54,816        | 2,037                             | -                                 | 52,779        |
| Premium Income (Net)                                | -                               | -             | -                                    | 14,642        | 351                               | -                                 | 14,291        |
| Interest Expense                                    | -                               | -             | 386                                  | 23,104        | -                                 | 2,026                             | 21,078        |
| Net Increase in Technical Reserves                  | -                               | -             | -                                    | 8,198         | -                                 | -                                 | 8,198         |
| Damages, Claims and Other Obligations               | -                               | -             | -                                    | 6,951         | -                                 | -                                 | 6,951         |
| <b>Net Interest Income (Nil)</b>                    | <b>9</b>                        | <b>1</b>      | <b>(175)</b>                         | <b>31,206</b> | <b>-</b>                          | <b>-</b>                          | <b>30,844</b> |
| Preventive Provisions for Loan Losses               | -                               | -             | 207                                  | 7,460         | -                                 | 134                               | 7,326         |
| <b>Net Interest Income Adjusted for Credit Risk</b> | <b>9</b>                        | <b>1</b>      | <b>(382)</b>                         | <b>23,747</b> | <b>-</b>                          | <b>(134)</b>                      | <b>23,518</b> |
| Loan Origination Fees                               | 611                             | -             | 48                                   | 10,048        | 797                               | -                                 | 9,250         |
| Fees Paid                                           | 426                             | -             | 0                                    | 4,506         | -                                 | 812                               | 3,694         |
| Trading Income                                      | -                               | -             | (247)                                | 1,688         | -                                 | 10                                | 1,698         |
| Other Operating Income (Expenses)                   | 0                               | -             | (198)                                | 1,428         | 157                               | 1                                 | 1,272         |
| <b>Non Interest Income</b>                          | <b>185</b>                      | <b>-</b>      | <b>(397)</b>                         | <b>8,657</b>  | <b>954</b>                        | <b>(801)</b>                      | <b>8,526</b>  |
| <b>Total Operating Income</b>                       | <b>194</b>                      | <b>1</b>      | <b>(779)</b>                         | <b>32,404</b> | <b>954</b>                        | <b>(935)</b>                      | <b>32,045</b> |
| Administrative and Promotional Expenses             | 24                              | 2             | 107                                  | 17,352        | 375                               | 724                               | 17,002        |
| <b>Operating Income</b>                             | <b>170</b>                      | <b>(1)</b>    | <b>(885)</b>                         | <b>15,051</b> | <b>-</b>                          | <b>-</b>                          | <b>15,042</b> |
| Subsidiaries' Net Income                            | 3                               | -             | (121)                                | 11,709        | 11,111                            | -                                 | 598           |
| <b>Pre-Tax Income</b>                               | <b>173</b>                      | <b>(1)</b>    | <b>(1,006)</b>                       | <b>26,760</b> | <b>-</b>                          | <b>-</b>                          | <b>15,640</b> |
| Income Tax                                          | 49                              | -             | -                                    | 4,085         | -                                 | -                                 | 4,085         |
| Deferred Income Tax                                 | (0)                             | -             | (267)                                | 285           | 3                                 | 19                                | 269           |
| <b>Net Income from Continuous Operations</b>        | <b>124</b>                      | <b>(1)</b>    | <b>(738)</b>                         | <b>22,391</b> | <b>-</b>                          | <b>-</b>                          | <b>11,287</b> |
| Discontinued Operations                             | -                               | -             | -                                    | 79            | -                                 | -                                 | 79            |
| Minority Interest                                   | -                               | -             | -                                    | (12)          | 146                               | -                                 | (159)         |
| <b>Net Income</b>                                   | <b>124</b>                      | <b>(1)</b>    | <b>(738)</b>                         | <b>22,458</b> | <b>14,974</b>                     | <b>3,574</b>                      | <b>11,207</b> |

## GFNorte - Balance Sheet as of June 30 '17

(Million Pesos)

| ASSETS                                             | Holding        | Banorte          | Ahorro y Previsión | Arrendadora y Factor | Almacenadora | Casa de Bolsa Banorte Ixe |
|----------------------------------------------------|----------------|------------------|--------------------|----------------------|--------------|---------------------------|
| Cash and Due from Banks                            | 40             | 65,822           | 38                 | 60                   | 6            | 797                       |
| Margin Accounts                                    | -              | 2,635            | -                  | -                    | -            | -                         |
| Investment in Securities                           | -              | 276,846          | 97,905             | 0                    | -            | 91,500                    |
| Negotiable Instruments                             | -              | 159,894          | 15,475             | -                    | -            | 64,854                    |
| Securities Available for Sale                      | -              | 110,750          | 2,169              | 0                    | -            | 25,953                    |
| Securities Held to Maturity                        | -              | 6,202            | 80,261             | -                    | -            | 693                       |
| Debtor Balance in Repo Trans, net                  | 611            | 0                | 928                | -                    | -            | -                         |
| Transactions with Derivatives For trading purposes | -              | 20,352           | -                  | 0                    | -            | -                         |
| Transactions with Derivatives For hedging purposes | -              | 216              | -                  | -                    | -            | -                         |
| Valuation adjustments for Asset Coverage           | -              | 106              | -                  | -                    | -            | -                         |
| Gross Loan Portfolio                               | -              | 580,347          | -                  | 22,860               | -            | -                         |
| Net Loan Portfolio                                 | -              | 578,953          | -                  | 22,860               | -            | -                         |
| Performing Loans                                   | -              | 583,853          | -                  | 23,047               | -            | -                         |
| Commercial Loans                                   | -              | 208,717          | -                  | 21,901               | -            | -                         |
| Financial Intermediaries' Loans                    | -              | 23,538           | -                  | 115                  | -            | -                         |
| Government Entities' Loans                         | -              | 133,394          | -                  | 1,029                | -            | -                         |
| Consumer Loans                                     | -              | 93,999           | -                  | 3                    | -            | -                         |
| Mortgage Loans                                     | -              | 124,206          | -                  | -                    | -            | -                         |
| Medium and Residential                             | -              | 120,197          | -                  | -                    | -            | -                         |
| Low income housing                                 | -              | 33               | -                  | -                    | -            | -                         |
| Loans acquired from INFONAVIT or FOVISSSTE         | -              | 3,975            | -                  | -                    | -            | -                         |
| Past Due Loans                                     | -              | 10,598           | -                  | 144                  | -            | -                         |
| Commercial PDL's                                   | -              | 5,570            | -                  | 144                  | -            | -                         |
| Financial Intermediaries PDL's                     | -              | 0                | -                  | -                    | -            | -                         |
| Consumer PDL's                                     | -              | 3,867            | -                  | 0                    | -            | -                         |
| Mortgage PDL's                                     | -              | 1,161            | -                  | -                    | -            | -                         |
| Medium and Residential                             | -              | 1,044            | -                  | -                    | -            | -                         |
| Low income housing                                 | -              | 1                | -                  | -                    | -            | -                         |
| Loans acquired from INFONAVIT or FOVISSSTE         | -              | 117              | -                  | -                    | -            | -                         |
| Preventive Loan Loss Reserves                      | -              | 15,499           | -                  | 331                  | -            | -                         |
| Acquired Collection Rights                         | -              | 1,394            | -                  | -                    | -            | -                         |
| Account Receivables from Insurance and Annuities   | -              | -                | 1,769              | -                    | -            | -                         |
| Premium Debtors (Net)                              | -              | -                | 8,223              | -                    | -            | -                         |
| Account Receivables from Reinsurance               | -              | -                | 8,878              | -                    | -            | -                         |
| Benef. receivab. securization transactions         | -              | 152              | -                  | -                    | -            | -                         |
| Sundry Debtors & Other Accs Rec, Net               | 0              | 26,519           | 0                  | 439                  | 87           | 733                       |
| Inventories                                        | -              | -                | -                  | -                    | 1,309        | -                         |
| Foreclosed Assets, Net                             | -              | 791              | -                  | 4                    | -            | -                         |
| Real Estate, Furniture & Equipment, Net            | -              | 12,306           | 356                | 3,104                | 69           | 44                        |
| Investment in Subsidiaries                         | 121,286        | 119              | 12,867             | -                    | -            | 1                         |
| Long-term assets held for sale                     | -              | -                | -                  | -                    | -            | -                         |
| Deferred Taxes, Net                                | 200            | 3,651            | -                  | 76                   | 5            | -                         |
| Total other Assets                                 | 10,615         | 13,169           | 2,239              | 64                   | 13           | 370                       |
| Goodwill                                           | 9,696          | 1,356            | -                  | -                    | -            | -                         |
| Intangible                                         | 919            | 9,449            | 2,152              | 64                   | 1            | 125                       |
| Other Assets                                       | -              | 2,364            | 87                 | -                    | 12           | 246                       |
| <b>TOTAL ASSETS</b>                                | <b>132,753</b> | <b>1,003,031</b> | <b>133,203</b>     | <b>26,606</b>        | <b>1,489</b> | <b>93,444</b>             |

## GFNorte - Balance Sheet as of June 30 '17

(Million Pesos)

| ASSETS                                             | Operadora de Fondos Banorte Ixe | IXE Servicios | Sólida Administradora de Portafolios | Total            | Charges Intercompany Eliminations | Credits Intercompany Eliminations | Final Balance    |
|----------------------------------------------------|---------------------------------|---------------|--------------------------------------|------------------|-----------------------------------|-----------------------------------|------------------|
| Cash and Due from Banks                            | 184                             | 33            | 47                                   | 67,028           | 297                               | 1,484                             | 65,840           |
| Margin Accounts                                    | -                               | -             | -                                    | 2,635            | -                                 | -                                 | 2,635            |
| Investment in Securities                           | 0                               | -             | 504                                  | 466,756          | 208                               | 349                               | 466,614          |
| Negotiable Instruments                             | 0                               | -             | -                                    | 240,223          | -                                 | -                                 | 240,223          |
| Securities Available for Sale                      | -                               | -             | 504                                  | 139,376          | -                                 | 112                               | 139,264          |
| Securities Held to Maturity                        | -                               | -             | -                                    | 87,156           | 208                               | 237                               | 87,127           |
| Debtor Balance in Repo Trans, net                  | -                               | -             | 75                                   | 1,614            | -                                 | 1,614                             | 0                |
| Transactions with Derivatives For trading purposes | -                               | -             | 35                                   | 20,387           | -                                 | -                                 | 20,387           |
| Transactions with Derivatives For hedging purposes | -                               | -             | -                                    | 216              | -                                 | -                                 | 216              |
| Valuation adjustments for Asset Coverage           | -                               | -             | -                                    | 106              | -                                 | -                                 | 106              |
| Gross Loan Portfolio                               | -                               | -             | 5,532                                | 608,738          | -                                 | 18,057                            | 590,682          |
| Net Loan Portfolio                                 | -                               | -             | 4,939                                | 606,752          | -                                 | 18,057                            | 588,696          |
| Performing Loans                                   | -                               | -             | 5,153                                | 612,053          | -                                 | 18,057                            | 593,997          |
| Commercial Loans                                   | -                               | -             | 677                                  | 231,295          | -                                 | 11                                | 231,284          |
| Financial Intermediaries' Loans                    | -                               | -             | -                                    | 23,653           | -                                 | 18,046                            | 5,607            |
| Government Entities' Loans                         | -                               | -             | -                                    | 134,423          | -                                 | -                                 | 134,423          |
| Consumer Loans                                     | -                               | -             | 4,476                                | 98,478           | -                                 | -                                 | 98,478           |
| Mortgage Loans                                     | -                               | -             | -                                    | 124,206          | -                                 | -                                 | 124,206          |
| Medium and Residential                             | -                               | -             | -                                    | 120,197          | -                                 | -                                 | 120,197          |
| Low income housing                                 | -                               | -             | -                                    | 33               | -                                 | -                                 | 33               |
| Loans acquired from INFONAVIT or FOVISSSTE         | -                               | -             | -                                    | 3,975            | -                                 | -                                 | 3,975            |
| Past Due Loans                                     | -                               | -             | 76                                   | 10,818           | -                                 | -                                 | 10,818           |
| Commercial PDL's                                   | -                               | -             | 25                                   | 5,739            | -                                 | -                                 | 5,739            |
| Financial Intermediaries PDL's                     | -                               | -             | -                                    | 0                | -                                 | -                                 | 0                |
| Consumer PDL's                                     | -                               | -             | 51                                   | 3,918            | -                                 | -                                 | 3,918            |
| Mortgage PDL's                                     | -                               | -             | -                                    | 1,161            | -                                 | -                                 | 1,161            |
| Medium and Residential                             | -                               | -             | -                                    | 1,044            | -                                 | -                                 | 1,044            |
| Low income housing                                 | -                               | -             | -                                    | 1                | -                                 | -                                 | 1                |
| Loans acquired from INFONAVIT or FOVISSSTE         | -                               | -             | -                                    | 117              | -                                 | -                                 | 117              |
| Preventive Loan Loss Reserves                      | -                               | -             | 289                                  | 16,119           | -                                 | -                                 | 16,119           |
| Acquired Collection Rights                         | -                               | -             | 592                                  | 1,986            | -                                 | -                                 | 1,986            |
| Account Receivables from Insurance and Annuities   | -                               | -             | -                                    | 1,769            | -                                 | -                                 | 1,769            |
| Premium Debtors (Net)                              | -                               | -             | -                                    | 8,223            | -                                 | -                                 | 8,223            |
| Account Receivables from Reinsurance               | -                               | -             | -                                    | 8,878            | -                                 | -                                 | 8,878            |
| Benef.receiveab.securization transactions          | -                               | -             | -                                    | 152              | -                                 | -                                 | 152              |
| Sundry Debtors & Other Accs Rec, Net               | 142                             | 5             | 8,994                                | 36,918           | 62                                | 281                               | 36,699           |
| Inventories                                        | -                               | -             | -                                    | 1,309            | -                                 | -                                 | 1,309            |
| Foreclosed Assets, Net                             | -                               | -             | 354                                  | 1,149            | 201                               | 201                               | 1,149            |
| Real Estate, Furniture & Equipment, Net            | 0                               | 102           | -                                    | 15,979           | 212                               | 210                               | 15,981           |
| Investment in Subsidiaries                         | 100                             | -             | 114                                  | 134,488          | 767                               | 122,151                           | 13,104           |
| Long-term assets held for sale                     | -                               | -             | -                                    | -                | -                                 | -                                 | -                |
| Deferred Taxes, Net                                | 0                               | -             | 1,274                                | 5,206            | 431                               | 1,907                             | 3,729            |
| Total other Assets                                 | 0                               | 0             | 204                                  | 26,676           | 2,453                             | 927                               | 28,201           |
| Goodwill                                           | -                               | -             | -                                    | 11,052           | 2,453                             | 876                               | 12,628           |
| Intangible                                         | 0                               | 0             | 204                                  | 12,915           | -                                 | 51                                | 12,864           |
| Other Assets                                       | -                               | -             | -                                    | 2,709            | -                                 | -                                 | 2,709            |
| <b>TOTAL ASSETS</b>                                | <b>427</b>                      | <b>140</b>    | <b>17,134</b>                        | <b>1,408,227</b> | <b>4,630</b>                      | <b>147,182</b>                    | <b>1,265,675</b> |

GFNorte - Balance Sheet as of June 30 '17

(Million Pesos)

| LIABILITIES & EQUITY                                                    | Holding        | Banorte          | Ahorro y Previsión | Arrendadora y Factor | Almacenadora | Casa de Bolsa Banorte Ixe | Operadora de Fondos Banorte Ixe |
|-------------------------------------------------------------------------|----------------|------------------|--------------------|----------------------|--------------|---------------------------|---------------------------------|
| <b>Deposits</b>                                                         | -              | 614,625          | -                  | -                    | -            | -                         | -                               |
| <b>Demand Deposits</b>                                                  | -              | 367,839          | -                  | -                    | -            | -                         | -                               |
| <b>Time Deposits</b>                                                    | -              | 242,580          | -                  | -                    | -            | -                         | -                               |
| Time Deposits-Retail                                                    | -              | 227,186          | -                  | -                    | -            | -                         | -                               |
| Time Deposits-Money Market                                              | -              | 15,394           | -                  | -                    | -            | -                         | -                               |
| <b>Senior Unsecured Debt</b>                                            | -              | 2,750            | -                  | -                    | -            | -                         | -                               |
| Cuenta global de captación sin movimientos                              | -              | 1,456            | -                  | -                    | -            | -                         | -                               |
| <b>Due to Banks &amp; Correspondents</b>                                | -              | 17,642           | -                  | 20,785               | 1,263        | -                         | -                               |
| Immediate Redemption Loans                                              | -              | 1,591            | -                  | -                    | -            | -                         | -                               |
| Short Term Loans                                                        | -              | 7,557            | -                  | 11,059               | 1,263        | -                         | -                               |
| Long Term Loans                                                         | -              | 8,495            | -                  | 9,727                | -            | -                         | -                               |
| <b>Technical Reserves</b>                                               | -              | -                | 100,834            | -                    | -            | -                         | -                               |
| <b>Non-assigned Securities for Settlement</b>                           | -              | -                | -                  | -                    | -            | -                         | -                               |
| <b>Creditor Balance in Repo Trans, Net</b>                              | -              | 218,158          | -                  | -                    | -            | 90,617                    | -                               |
| <b>Collateral sold or pledged as collateral</b>                         | -              | 0                | -                  | -                    | -            | -                         | -                               |
| <b>Transactions with Derivatives for trading purposes</b>               | -              | 19,445           | -                  | -                    | -            | -                         | -                               |
| <b>Transactions with Derivatives for hedging purposes</b>               | -              | 6,552            | -                  | -                    | -            | -                         | -                               |
| <b>Valuation adjustments for financial liability coverage</b>           | -              | -                | -                  | -                    | -            | -                         | -                               |
| <b>Payable Accounts for Reinsurance</b>                                 | -              | -                | 3,348              | -                    | -            | -                         | -                               |
| <b>Other Payable Accounts</b>                                           | 1              | 25,218           | 3,206              | 946                  | 20           | 340                       | 139                             |
| Income Tax Payable                                                      | -              | 1,143            | 702                | 71                   | 6            | -                         | 11                              |
| Profit Sharing Payable                                                  | -              | 222              | -                  | -                    | -            | -                         | -                               |
| Creditors for settlement of transactions                                | (0.00)         | 6,828            | -                  | -                    | -            | 128                       | -                               |
| Creditors for collateral received in cash                               | -              | 3,110            | -                  | -                    | -            | -                         | -                               |
| Other Creditors & Accounts Payable                                      | 0.65           | 13,916           | 2,504              | 875                  | 14           | 212                       | 128                             |
| <b>Subordinated Non Convertible Debt</b>                                | -              | 13,733           | -                  | -                    | -            | -                         | -                               |
| <b>Deferred Taxes, Net</b>                                              | -              | -                | 1,190              | -                    | -            | 67                        | -                               |
| <b>Deferred Credits</b>                                                 | -              | 107              | 60                 | 133                  | -            | 0                         | -                               |
| <b>TOTAL LIABILITIES</b>                                                | <b>1</b>       | <b>915,480</b>   | <b>108,639</b>     | <b>21,864</b>        | <b>1,284</b> | <b>91,024</b>             | <b>139</b>                      |
| <b>EQUITY</b>                                                           |                |                  |                    |                      |              |                           |                                 |
| <b>Subscribed Capital</b>                                               | <b>50,326</b>  | <b>18,399</b>    | <b>20,944</b>      | <b>526</b>           | <b>87</b>    | <b>1,429</b>              | <b>112</b>                      |
| Paid-in Capital                                                         | 14,568         | 18,105           | 15,740             | 526                  | 87           | 1,354                     | 112                             |
| Share Subscription Premiums                                             | 35,758         | 294              | 5,204              | -                    | -            | 75                        | -                               |
| Contributions for future capital increases agreed by the governing body | -              | -                | -                  | -                    | -            | -                         | -                               |
| <b>Earned Capital</b>                                                   | <b>82,426</b>  | <b>69,152</b>    | <b>3,356</b>       | <b>4,208</b>         | <b>118</b>   | <b>991</b>                | <b>175</b>                      |
| Capital Reserves                                                        | 4,827          | 13,013           | 62                 | 526                  | 49           | 182                       | 22                              |
| Retained Earnings                                                       | 69,718         | 49,462           | 673                | 3,332                | 47           | 216                       | 29                              |
| Surplus (Deficit) of Secs Available for Sale                            | (2,442)        | (752)            | (39)               | (10)                 | -            | 96                        | -                               |
| Results from Valuation of Hedging Secs                                  | (1,943)        | (1,982)          | -                  | -                    | -            | -                         | -                               |
| Result in the valuation reserve for unexpired risks variations in rates | 68             | -                | 63                 | -                    | -            | -                         | -                               |
| Results from Conversions                                                | 1,616          | 1,544            | -                  | -                    | -            | 99                        | -                               |
| Surplus (Deficit) in Capital Restatement                                | -              | -                | -                  | -                    | -            | -                         | -                               |
| Remeasurements defined benefits for employees                           | (618)          | (629)            | -                  | -                    | -            | -                         | -                               |
| Net Income                                                              | 11,201         | 8,496            | 2,597              | 360                  | 21           | 398                       | 124                             |
| Capital Mayoritario                                                     | 132,752        | 87,551           | 24,300             | 4,734                | 205          | 2,420                     | 288                             |
| Minority Interest                                                       | -              | 0                | 264                | 8                    | 0            | -                         | -                               |
| <b>Total Equity</b>                                                     | <b>132,752</b> | <b>87,551</b>    | <b>24,564</b>      | <b>4,742</b>         | <b>205</b>   | <b>2,420</b>              | <b>288</b>                      |
| <b>TOTAL LIABILITIES &amp; EQUITY</b>                                   | <b>132,753</b> | <b>1,003,031</b> | <b>133,203</b>     | <b>26,606</b>        | <b>1,489</b> | <b>93,444</b>             | <b>427</b>                      |

## GFNorte - Balance Sheet as of June 30 '17

(Million Pesos)

| LIABILITIES & EQUITY                                                    | IXE Servicios | Sólida Administradora de Portafolios | Total            | Charges Intercompany Eliminations | Credits Intercompany Eliminations | Final Balance    |
|-------------------------------------------------------------------------|---------------|--------------------------------------|------------------|-----------------------------------|-----------------------------------|------------------|
| <b>Deposits</b>                                                         | -             | -                                    | 614,625          | 1,483                             | -                                 | 613,142          |
| <b>Demand Deposits</b>                                                  | -             | -                                    | 367,839          | 1,410                             | -                                 | 366,429          |
| <b>Time Deposits</b>                                                    | -             | -                                    | 242,580          | 73                                | -                                 | 242,507          |
| Time Deposits-Retail                                                    | -             | -                                    | 227,186          | 73                                | -                                 | 227,113          |
| Time Deposits-Money Market                                              | -             | -                                    | 15,394           | -                                 | -                                 | 15,394           |
| <b>Senior Unsecured Debt</b>                                            | -             | -                                    | 2,750            | -                                 | -                                 | 2,750            |
| Cuenta global de captación sin movimientos                              | -             | -                                    | 1,456            | -                                 | -                                 | 1,456            |
| <b>Due to Banks &amp; Correspondents</b>                                | -             | 13,064                               | 52,755           | 18,057                            | -                                 | 34,698           |
| Immediate Redemption Loans                                              | -             | -                                    | 1,591            | -                                 | -                                 | 1,591            |
| Short Term Loans                                                        | -             | 13,064                               | 32,942           | 18,057                            | -                                 | 14,886           |
| Long Term Loans                                                         | -             | -                                    | 18,222           | -                                 | -                                 | 18,222           |
| <b>Technical Reserves</b>                                               | -             | -                                    | 100,834          | 44                                | 192                               | 100,982          |
| <b>Non-assigned Securities for Settlement</b>                           | -             | -                                    | -                | -                                 | -                                 | -                |
| <b>Creditor Balance in Repo Trans, Net</b>                              | -             | -                                    | 308,775          | 1,614                             | -                                 | 307,161          |
| <b>Collateral sold or pledged as collateral</b>                         | -             | -                                    | 0                | -                                 | -                                 | 0                |
| <b>Transactions with Derivatives for trading purposes</b>               | -             | -                                    | 19,445           | -                                 | -                                 | 19,445           |
| <b>Transactions with Derivatives for hedging purposes</b>               | -             | -                                    | 6,552            | -                                 | -                                 | 6,552            |
| <b>Valuation adjustments for financial liability coverage</b>           | -             | -                                    | -                | -                                 | -                                 | -                |
| <b>Payable Accounts for Reinsurance</b>                                 | -             | -                                    | 3,348            | -                                 | -                                 | 3,348            |
| <b>Other Payable Accounts</b>                                           | 0             | 68                                   | 29,938           | 321                               | 105                               | 29,722           |
| Income Tax Payable                                                      | 0             | -                                    | 1,933            | -                                 | -                                 | 1,933            |
| Profit Sharing Payable                                                  | -             | -                                    | 222              | -                                 | -                                 | 222              |
| Creditors for settlement of transactions                                | -             | -                                    | 6,956            | -                                 | -                                 | 6,956            |
| Creditors for collateral received in cash                               | -             | -                                    | 3,110            | -                                 | -                                 | 3,110            |
| Other Creditors & Accounts Payable                                      | 0             | 68                                   | 17,718           | 321                               | 105                               | 17,502           |
| <b>Subordinated Non Convertible Debt</b>                                | -             | -                                    | 13,733           | -                                 | -                                 | 13,733           |
| <b>Deferred Taxes, Net</b>                                              | -             | -                                    | 1,258            | 1,258                             | -                                 | -                |
| <b>Deferred Credits</b>                                                 | -             | 2                                    | 303              | 51                                | -                                 | 252              |
| <b>TOTAL LIABILITIES</b>                                                | <b>0</b>      | <b>13,135</b>                        | <b>1,151,565</b> | <b>22,826</b>                     | <b>297</b>                        | <b>1,129,036</b> |
| <b>EQUITY</b>                                                           |               |                                      |                  |                                   |                                   |                  |
| <b>Subscribed Capital</b>                                               | <b>144</b>    | <b>6,201</b>                         | <b>98,169</b>    | <b>47,995</b>                     | <b>322</b>                        | <b>50,496</b>    |
| Paid-in Capital                                                         | 144           | 5,348                                | 55,985           | 41,420                            | -                                 | 14,564           |
| Share Subscription Premiums                                             | -             | 4                                    | 41,335           | 5,724                             | 322                               | 35,932           |
| Contributions for future capital increases agreed by the governing body | -             | 850                                  | 850              | 850                               | -                                 | -                |
| <b>Earned Capital</b>                                                   | <b>(4)</b>    | <b>(2,202)</b>                       | <b>158,220</b>   | <b>77,223</b>                     | <b>3,289</b>                      | <b>84,287</b>    |
| Capital Reserves                                                        | 2             | 117                                  | 18,802           | 13,974                            | -                                 | 4,827            |
| Retained Earnings                                                       | (6)           | 230                                  | 123,702          | 55,361                            | 3,260                             | 71,600           |
| Surplus (Deficit) of Secs Available for Sale                            | -             | (1,815)                              | (4,963)          | (2,492)                           | -                                 | (2,471)          |
| Results from Valuation of Hedging Secs                                  | -             | 4                                    | (3,921)          | (1,978)                           | -                                 | (1,943)          |
| Result in the valuation reserve for unexpired risks variations in rates | -             | -                                    | 130              | 63                                | -                                 | 68               |
| Results from Conversions                                                | -             | -                                    | 3,259            | 1,643                             | -                                 | 1,616            |
| Surplus (Deficit) in Capital Restatement                                | -             | -                                    | -                | -                                 | -                                 | -                |
| Remeasurements defined benefits for employees                           | -             | -                                    | (1,246)          | (629)                             | -                                 | (618)            |
| Net Income                                                              | (1)           | (738)                                | 22,458           | 11,279                            | 29                                | 11,207           |
| Capital Mayoritario                                                     | 140           | 3,999                                | 256,390          | 125,217                           | 3,610                             | 134,783          |
| Minority Interest                                                       | -             | -                                    | 271              | -                                 | 1,584                             | 1,856            |
| <b>Total Equity</b>                                                     | <b>140</b>    | <b>3,999</b>                         | <b>256,661</b>   | <b>125,217</b>                    | <b>5,195</b>                      | <b>136,639</b>   |
| <b>TOTAL LIABILITIES &amp; EQUITY</b>                                   | <b>140</b>    | <b>17,134</b>                        | <b>1,408,227</b> | <b>148,044</b>                    | <b>5,492</b>                      | <b>1,265,675</b> |

## V. Appendix

### Accounting Changes & Regulation

Numbers in this section are stated in million pesos.

#### Changes to the rating methodologies for non-revolving consumer and mortgage portfolios.

On January 6, 2017, the CNBV issued a resolution modifying the provisions regarding the rating methodologies for non-revolving consumer and mortgage portfolios which continue to have and expected loss approach and incorporate more recent information of the industry performance to the new variables incorporated. The main change in both methodologies is that, in addition to analyzing the credit history of the borrower with the lender, it also requires analysis of the credit behavior the borrower with other Institutions according to the information of Sociedades de Información Crediticia. This new methodologies came into effect on June 1, 2017.

The financial effect applied to Banorte at the end of June 2017 was Ps 1.054 billion and derived from the new provision methodologies minus the provisions of the previous methodologies. The accounting record of this financial effect was an increase in the estimated credit risk of Ps 1.054 billion (liabilities), a deferred tax increase of Ps. 316 million (assets) and a decrease in prior years' income of Ps. 725 million (stockholders' equity).

#### Special accounting treatment to the support program derived from PEMEX's budgetary adjustments.

On May 2, 2016 the National Banking and Securities Commission issued a special accounting criterion applicable to credit institutions related to MiPYMES; indirect suppliers to PEMEX, as well as to individuals and MiPYMES located in the states of Tamaulipas, Veracruz, Campeche, Chiapas and Tabasco, which were identified as affected areas by PEMEX's budgetary adjustments. Under this special accounting criteria, that will apply to those restructured and renewed performing loans before December 31, 2016, will not be considered as restructured loans as per criterion B-6 "Loan Portfolio" and will remain as performing loans during the specified period in the Plan while meeting the terms of its restructuring, then, they would be considered as performing loans for the loan loss provisions' determination.

As of this date, the institution has not granted supports under this special criterion, if applied, we will comply with the required disclosure.

#### Amendments to the revolving consumer portfolio's rating methodology

On December 16, 2015, the CNBV published a ruling modifying the provisions regarding the rating methodology for revolving consumer loans, which still has an expected loss application, adding recent information on industry's performance towards new elements. The main amendment to such methodology besides taking into consideration the credit experience of the borrower with the institution granting the loan, address the credit behavior of such borrowers with other institutions according to the information from Credit Information Societies. The new methodology became effective as of April 2016.

The financial impact on Banorte as of April 2016, derived from the modified methodology minus the expected reserves on the balance of the portfolio with the prior methodology was Ps 672. The accounting registration of this financial effect was an increase in loan loss provisions of Ps 672 (liabilities), an increase in deferred tax of Ps 201 (assets) and a decrease in the results from prior years for Ps 471 (equity).

The financial effect for GFNorte, considering its participation in Banorte, was Ps 462 as a decrease to the result from prior years net of deferred taxes.

## Changes in Seguros Banorte and Pensiones Banorte.

### Seguros Banorte

On April 4<sup>th</sup>, 2015 the Law for Insurance and Bonding Institutions came into effect, with new requirements in terms of corporate governance systems, disclosure of information, documentation and enhanced processes; furthermore, new methodologies for Reserves calculation in accordance with the new Law were registered.

During the first quarter of 2016, the National Insurance and Bonding National Commission (CNSF) authorized to use internal methodologies of reserves, the preliminary calculations of the final test with figures as of December 2015 had no impact on Capital Solvency Requirement and Margin of Solvency.

#### Recognition of rate variation of reserve for Long-Term Unexpired Risks

The variations that occur between the reserve for unexpired risks valuation and the recoverable long-term reinsurance amounts due to differences in interest rates used in the valuation, will correspond to unrealized losses or gains, which could subsequently be reversed depending on the movements of rates used for the valuation; therefore, registration shall affect Equity in the line "Surplus / Deficit in the valuation of the reserve for long-term unexpired risks" in accordance with the criteria defined by the CNSF.

#### Registration of changes in calculation methodology for Unexpired Risks

In accordance to the amendment circular 1/16, to institutions – that as a result of the application as of January 1<sup>st</sup>, 2016 regarding internal calculation methods for unexpired risks and reserves for pending outstanding obligations for occurred and non-reported claims– that determine a net decrease in such reserves related to the amounts determined in accordance with the provisions in force to December 31<sup>st</sup>, 2015. Such net decrease could be registered in accordance with that established under Title 22 of current regulations, which must be carried out in a maximum period of 2 years.

#### Securities Portfolio

Securities classified as "Held to Maturity" were reclassified as "Available for Sale", the foregoing in adherence to Title 22 (of accounting and financial statements) Chapter 22.1.2 (of accounting criteria for the estimation of the assets and liabilities of institutions) which states that Securities Held to Maturity will be used exclusively by the insurance companies that operate the insurance of Annuities companies, considering the nature of their obligations.

#### Registration of Short-Term Life Insurance Premiums

Until December 2015 registration of income was carried out according to the payment periodicity for each premium and as from January 2016 is recognized in accordance with the policy's term. This effect has a corresponding impact in the constitution of reserves.

#### Afore XXI Banorte's acquisition

*On August 16th, 2016 the CNSF authorized Seguros Banorte to directly invest in Banorte Futuro's equity, and to invest indirectly in the equity of Afore XXI's. Then, on August 26th, the CONSAR authorized Seguros Banorte to indirectly acquire a 50% stake in Afore XXI Banorte, as a result of its spin-off from Banco Mercantil del Norte.*

*Additionally on October 12<sup>th</sup>, the SAT authorized to transfer shares at fiscal cost from Banorte Futuro i) to Banorte Ahorro y Previsión, and ii) then to Seguros Banorte.*

*The aforementioned transactions became effective as of October 17th, 2016. Therefore, as of that date, 50% of Afore's XXI Banorte profits are registered in the Subsidiaries' Net Income line.*

### Pensiones Banorte

#### Securities Portfolio

Also, in January 2016 Pensiones Banorte changed its classification of securities "Held to Maturity" to "Available for Sale" reflecting a deficit of Ps 7.86 in equity as of January 31<sup>st</sup>, 2016.

## Changes to the calculation of the Severity of Loss for debtors in bankruptcy.

On October 30, 2014 the CNBV published an amendment to Regulations for the rating methodology of commercial loan portfolios, to make it congruent with Bankruptcy Law reforms published in January 2014 for loans granted to debtors applying for bankruptcy who had previously submitted a restructuring plan.

The resolution amends Article 114 of the Regulations and applies to the part not covered by real guarantees for loans granted to individuals or corporations who have filed for bankruptcy, with a previous restructuring plan. The amendment establishes that for such cases, Institutions may calculate an Updated Loss Estimate that reflects the best estimate of loss as a percentage of the past due portfolio, considering possible payments or mitigated losses that could be received as payment for the portion of the loan that is not covered.

The Severity of Loss to be used in these cases would be the maximum between the Updated Loss Estimate and the 45% established in the regulation as Severity of Loss for un-subordinated, uncovered positions with less than 18 months in arrears. This calculation can be maintained until an agreement between lender(s) and borrower is reached or until the borrower has been declared in bankruptcy in which case this modification would not apply and the uncovered portion of the loan will be set aside in accordance to the existing regulation which requires up to 100% of Loss Severity for loans 18 months or more in default.

### Main changes in the accounting criterion NIF D-3 "Employee Benefits".

On December 31, 2015, the Commission issued a resolution amending provisions corresponding to the application of the "NIF D-3 Employee Benefits". This provision is intended to publicize transitory articles that identify the options that institutions have to recognize accounting effects as a result of the new NIF-D-3.

Under the above, the institution took the option set forth in the third transitional article of progressively registering in equity formula changes referred to in paragraphs a) and b) of paragraph 81.2 of the NIF D-3 "Employees' Benefits", issued by the "*Consejo Mexicano de Normas de Información Financiera, A.C.*", which became effective on January 1<sup>st</sup>, 2016 and promptly reported to the Commission in accordance with the deadlines set in the provisions.

The registration of balances in paragraphs a) and b) of paragraph 81.2 of the NIF D-3, started in 2016 recognizing 20% of the balances in that year and an additional 20% in each of the subsequent years, up to 100% in a maximum period of 5 years.

The total amounts to register regarding paragraphs a) and b) of paragraph 81.2 of the NIF D-3 were determined using the corporate bond discount rate for market valuation, of the Defined Benefits Obligation in accordance with the new NIF D-3, in the following terms:

- I. The amendments balance of the unrecognized plan, is recognized progressively, registering 20% annually the "results from prior years" line, using as a counterpart the "Provision for employee benefits" account, corresponding to the liability line "Other creditors & accounts payable", as follows:

| Discount rate   | Total balance to be applied | 20% annual application | Progressive recognition as of 2Q17 |
|-----------------|-----------------------------|------------------------|------------------------------------|
| Corporate bonds | \$183.0                     | \$36.6                 | \$54.90                            |

- II. In the case of an accumulated balance of gains or losses of the unrecognized plan (broker approach), its perceived progressively, registering 20% in 2016, and increasing the "Provision for employee benefits" account, corresponding to the liability line "Other creditors & accounts payable", using as a counterpart the "Measurements of defined benefits for employees" of the "Earned Capital" line as follows:

| Discount rate   | Total balance to be applied | 20% annual application | Progressive recognition as of 2Q17 |
|-----------------|-----------------------------|------------------------|------------------------------------|
| Corporate bonds | \$2,728.7                   | \$545.7                | \$818.61                           |

The 20% annual application is registered proportionally each month in 2017.

The amounts that would have been registered and presented in the balance sheet as of June 30, 2017, having not implemented the aforementioned option in the affected lines are:

|                                                 |                  |
|-------------------------------------------------|------------------|
| Other short and long term assets <sup>(1)</sup> | 670              |
| <b>Total assets</b>                             | <b>1,263,636</b> |
| Results from prior years                        | 71,472           |
| Measurements of defined benefits for employees  | (2,528)          |
| <b>Total equity</b>                             | <b>134,407</b>   |
| <b>Total liabilities plus equity</b>            | <b>1,263,636</b> |

1. Under this line, the "Provision for employee benefits" account is netted to show "Net asset for defined benefits" driven by the institutions' prepayments.

### Early termination of the mortgage debtor support programs

On June 30, 2010, the Ministry of Finance and Public Credit (SHCP) on behalf of the Federal Government agreed (the Agreement) to the early termination of mortgage debtor support programs (end point and UDIS trusts) with banks. Consequently, as of January 1, 2011, the Holding Company absorbed the corresponding part of the discount offered in advance to mortgage debtors that participated in the program.

In the Agreement a series of Federal Government's obligations were established, payable in 5 annual amortizations whose maturity date was June 1, 2015. On such date the last payment for an amount of Ps 29 was received. This includes a monthly financial cost as of the day immediately following the cut-off date and until the end of the month immediately preceding the payment date.

As of June 30, 2017, the remaining balance of the SPECIAL CETES that haven't been repurchased by the Federal Government is of Ps. 967, and its maturities are between 2017 and 2027.

### Accounting Registration applicable to the investment in International Bank ("INB")

As part of the divestment that Banorte decided over Inter National Bank (INB), in December 2016 certain accounting amendments were made in compliance with the requirements established in NIF C15 "Deterioration of long-term assets and their disposal", according to the following.

Banorte classified its investment in INB as a long-term asset available for sale, which was registered at the end of 2016 at its estimated sale value. Moreover, INB's 2016 fiscal year income of Ps 243 million was registered in the Income from discontinued operations line. The consolidation of INB figures in Banorte's Balance Sheet and Income Statement was reversed for the entire year as of yearend 2016. Hence, the consolidated figures of GFNorte and Banorte for 4Q16 and 2016 are not comparable with the results published for the first three quarters of 2016 and those for 2015, which are consolidated line by line with INB.

In 1Q17 Banorte finalized INB's sale, therefore, the long-term asset available for sale item against the cash entrance received from the sale. Moreover, INB's 1Q17 net income of Ps 74 million was registered in Income from discontinued operations.

The accounting record of the sale was made based of the Official Letter P071/2016. Said Office authorizes Banorte to recognize profits derived from the sale of INB shares in the "Income from Prior Years" and not in the results of the corresponding year. As per requirements set forth in the NIF C-15 "Deterioration of long-term assets and their disposal".

The comparison between the book value of the investment, net of expenses associated to the sale, and the estimated sale value generated a difference of (Ps 4.01) billion, of which (Ps 3.74) billion were recorded in 4Q16 and (Ps 358) million in 1Q17, both decreasing the item of "Income from Prior Years" and not against the results of the fiscal year as established in NIF C-15.

By not being applying the authorized Special Accounting Register, the amounts that would have been recognized and presented in the Balance Sheet as of June 30, 2017 and December 31<sup>st</sup>, 2016 in the affected accounts would have been:

Accounting effect in 2Q17 including expenses associated with the sale.

| <i>2Q17</i>                | <b>Numbers without<br/>Special Accounting<br/>Register</b> | <b>Numbers with<br/>Special Accounting<br/>Register</b> | <b>Variation</b> |
|----------------------------|------------------------------------------------------------|---------------------------------------------------------|------------------|
| Income from prior years    | 71,958                                                     | 71,600                                                  | (358)            |
| Net Income                 | 10,777                                                     | 11,135                                                  | 358              |
| Total equity               | 136,445                                                    | 136,445                                                 | 0                |
| Total liabilities + equity | 1,265,675                                                  | 1,265,675                                               | 0                |

Accounting effect in 4Q16 including expenses associated with the sale.

| <i>4Q16</i>                | <b>Numbers without<br/>Special Accounting<br/>Register</b> | <b>Numbers with<br/>Special Accounting<br/>Register</b> | <b>Variation</b> |
|----------------------------|------------------------------------------------------------|---------------------------------------------------------|------------------|
| Income from prior years    | 72,233                                                     | 68,492                                                  | (3,741)          |
| Net Income                 | 15,567                                                     | 19,308                                                  | 3,741            |
| Total equity               | 142,701                                                    | 142,701                                                 | 0                |
| Total liabilities + equity | 1,268,119                                                  | 1,268,119                                               | 0                |

## Loan Portfolio Sales to Sólida

As instructed by the CNBV in the document 601-II-323110, we show the integration of the loan portfolio sold in 1Q03 by Banorte to its subsidiary Solida Administradora de Portafolios, S.A. de C.V. The Purpose of this sale was to concentrate the portfolio in this unit as it had been managing the collections of these loans previously. This was a one-time operation and not a permanent transfer procedure of the Solida's portfolio.

On February, 2003 Banorte sold Ps 1.9 billion (Ps 1.861 billion in past due loans and Ps 64 million in Performing loans) of its own portfolio (including interests) to its subsidiary, Solida Administradora de Portafolios, S.A. de C.V. for Ps 378 million. The transaction was done based on August 2002 figures, and therefore the final figure that affected the February balance was Ps 1.86 billion, once the collections made since August 2002 are considered. The past due portfolio, as well as Ps 1.577 billion in associated loan reserves, were cancelled.

| (Million of Nominal Pesos)    | Local Currency |            |            | Foreign Currency (USD) |          |          | Total        |            |            |
|-------------------------------|----------------|------------|------------|------------------------|----------|----------|--------------|------------|------------|
|                               | ago-02         | mar-17     | jun-17     | ago-02                 | mar-17   | jun-17   | ago-02       | mar-17     | jun-17     |
| Commercial                    | 5              | 0          | 0          | 5                      | 0        | 0        | 10           | 0          | 0          |
| Consumer                      | 0              | 0          | 0          | 0                      | 0        | 0        | 0            | 0          | 0          |
| Mortgage                      | 54             | 21         | 20         | 0                      | 0        | 0        | 54           | 21         | 20         |
| <b>Performing Loans</b>       | <b>59</b>      | <b>21</b>  | <b>20</b>  | <b>5</b>               | <b>0</b> | <b>0</b> | <b>64</b>    | <b>21</b>  | <b>20</b>  |
| Commercial                    | 405            | 192        | 192        | 293                    | 1        | 1        | 698          | 193        | 193        |
| Consumer                      | 81             | 71         | 71         | 0                      | 0        | 0        | 81           | 71         | 71         |
| Mortgage                      | 1,112          | 201        | 200        | 0                      | 0        | 0        | 1,112        | 201        | 200        |
| <b>Non Performing Loans</b>   | <b>1,598</b>   | <b>464</b> | <b>463</b> | <b>293</b>             | <b>1</b> | <b>1</b> | <b>1,891</b> | <b>465</b> | <b>464</b> |
| <b>TOTAL LOANS</b>            | <b>1,657</b>   | <b>485</b> | <b>483</b> | <b>298</b>             | <b>1</b> | <b>1</b> | <b>1,955</b> | <b>486</b> | <b>484</b> |
| Commercial                    | 326            | 192        | 192        | 246                    | 1        | 1        | 572          | 193        | 193        |
| Consumer                      | 77             | 71         | 71         | 0                      | 0        | 0        | 77           | 71         | 71         |
| Mortgage                      | 669            | 211        | 210        | 0                      | 0        | 0        | 669          | 211        | 210        |
| <b>Loan Loss Reserves (1)</b> | <b>1,072</b>   | <b>474</b> | <b>473</b> | <b>246</b>             | <b>1</b> | <b>1</b> | <b>1,318</b> | <b>476</b> | <b>474</b> |

(1) Reserve requirements using the same classification method used for the bank.

(\*) There was a reserve difference of Ps 12 million as of June 2017.

(\*) The dollar portfolio and reserves are re-expressed in pesos.

(\*) Local Currency includes UDIS valued at the new exchange rate.

In 2Q17 the Loan portfolio showed changes due to charge offs of PS 0.01 million, discounts of Ps 0.04 million, foreclosed assets for Ps 0.8 million and Ps 0.001 million in restructure. In the Loan loss provisions, there were changes of Ps 2.0 million. No transfers to performing loans or to past due loans were made.

As instructed by the CNBV in document 601-II-323110 for purposes of determining financial indicators and a general disclosure referred to regulations, we show the integration of the Banorte's portfolio including the portfolio which was sold to Solida Administradora de Portafolios, S.A. de C.V.

|                             | Local Currency (1) |                | Foreign Currency (USD)<br>(2) |               | Total          |                |
|-----------------------------|--------------------|----------------|-------------------------------|---------------|----------------|----------------|
| (Million of Nominal Pesos)  | mar-17             | jun-17         | mar-17                        | jun-17        | mar-17         | jun-17         |
| Commercial                  | 315,321            | 327,808        | 35,162                        | 37,867        | 350,483        | 365,676        |
| Consumer                    | 90,824             | 93,999         | 0                             | 0             | 90,824         | 93,999         |
| Mortgage                    | 119,331            | 124,225        | 0                             | 0             | 119,331        | 124,226        |
| Government                  | 0                  | 0              | 0                             | 0             | 0              | 0              |
| Fobaproa / IPAB             | 0                  | 0              | 0                             | 0             | 0              | 0              |
| <b>Performing Loans</b>     | <b>525,476</b>     | <b>546,033</b> | <b>35,162</b>                 | <b>37,868</b> | <b>560,638</b> | <b>583,901</b> |
| Commercial                  | 6,149              | 5,711          | 66                            | 52            | 6,214          | 5,763          |
| Consumer                    | 3,065              | 3,938          | 0                             | 0             | 3,065          | 3,938          |
| Mortgage                    | 1,220              | 1,361          | 0                             | 0             | 1,220          | 1,361          |
| Government                  | 0                  | 0              | 0                             | 0             | 0              | 0              |
| <b>Non Performing Loans</b> | <b>10,433</b>      | <b>11,010</b>  | <b>66</b>                     | <b>52</b>     | <b>10,499</b>  | <b>11,062</b>  |
| <b>TOTAL LOANS</b>          | <b>535,909</b>     | <b>557,043</b> | <b>35,227</b>                 | <b>37,920</b> | <b>571,136</b> | <b>594,963</b> |
| <b>Loan Loss Reserves</b>   | <b>14,038</b>      | <b>13,579</b>  | <b>253</b>                    | <b>269</b>    | <b>14,291</b>  | <b>13,849</b>  |
| <b>Net Loan Portfolio</b>   | <b>521,871</b>     | <b>543,464</b> | <b>34,974</b>                 | <b>37,651</b> | <b>556,846</b> | <b>581,114</b> |
| <b>Loan Loss Reserves</b>   |                    |                |                               |               | <b>136.12%</b> | <b>125.19%</b> |
| <b>% Past Due Loans</b>     |                    |                |                               |               | <b>1.84%</b>   | <b>1.86%</b>   |

1. Includes UDIS.

2. The dollar portfolio and reserves are re-expressed in pesos.

## Notes to Financial Statement

### FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 2Q17

(Million Pesos)

| Negotiable Instruments       | Book Value     | Interest     | Unrealized gain (loss) | Market Value   |
|------------------------------|----------------|--------------|------------------------|----------------|
| <b>Government Securities</b> | <b>203,333</b> | <b>1,277</b> | <b>300</b>             | <b>204,909</b> |
| <b>Unrestricted</b>          | <b>11,447</b>  | <b>231</b>   | <b>8</b>               | <b>11,686</b>  |
| CETES                        | 7,929          | 222          | (16)                   | 8,136          |
| BONDES                       | 13             | 0            | 0                      | 13             |
| BPA                          | 1              | 0            | 0                      | 1              |
| Bonds                        | 154            | 1            | (2)                    | 153            |
| Udibonds                     | 3,203          | 5            | 25                     | 3,233          |
| UMS                          | 147            | 3            | 0                      | 151            |
| Treasury Notes               | -              | 0            | -                      | 0              |
| <b>Restricted</b>            | <b>191,885</b> | <b>1,046</b> | <b>291</b>             | <b>193,223</b> |
| CETES                        | 2,533          | -            | (0)                    | 2,533          |
| BONDES                       | 16,165         | 47           | 8                      | 16,221         |
| BPA                          | 162,453        | 974          | 219                    | 163,646        |
| Bonds                        | 6,090          | 18           | 60                     | 6,168          |
| Udibonds                     | 4,644          | 7            | 4                      | 4,655          |
| Treasury Bonds               | 0              | -            | -                      | 0              |
| <b>Banking Securities</b>    | <b>31,138</b>  | <b>58</b>    | <b>(4)</b>             | <b>31,193</b>  |
| <b>Unrestricted</b>          | <b>2,447</b>   | <b>1</b>     | <b>(0)</b>             | <b>2,448</b>   |
| Notes                        | 2,059          | 0            | (0)                    | 2,059          |
| Stock Certificates           | 149            | 1            | (0)                    | 150            |
| Other Banking Securities     | 239            | -            | -                      | 239            |
| <b>Restricted</b>            | <b>28,691</b>  | <b>58</b>    | <b>(4)</b>             | <b>28,745</b>  |
| Notes                        | 4,012          | -            | (0)                    | 4,012          |
| CEDES                        | 7,847          | 11           | (2)                    | 7,857          |
| Stock Certificates           | 16,105         | 45           | (2)                    | 16,148         |
| Other Banking Securities     | 727            | 2            | 0                      | 729            |
| <b>Private Securities</b>    | <b>3,792</b>   | <b>5</b>     | <b>324</b>             | <b>4,121</b>   |
| <b>Unrestricted</b>          | <b>1,728</b>   | <b>1</b>     | <b>331</b>             | <b>2,060</b>   |
| Stock Certificates           | 402            | 1            | (6)                    | 397            |
| PEMEX Bonds                  | 3              | 0            | 0                      | 3              |
| BMV stocks                   | 694            | -            | 319                    | 1,013          |
| Mutual Funds stocks          | 562            | -            | 21                     | 583            |
| Other Private Securities     | 66             | -            | (3)                    | 64             |
| <b>Restricted</b>            | <b>2,064</b>   | <b>4</b>     | <b>(6)</b>             | <b>2,062</b>   |
| Stock Certificates           | 2,064          | 4            | (6)                    | 2,061          |
| BMV stocks                   | 0              | -            | 0                      | 0              |
| Other Private Securities     | 0              | -            | -                      | 0              |
| <b>Total</b>                 | <b>238,263</b> | <b>1,340</b> | <b>620</b>             | <b>240,223</b> |

## FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 2Q17

(Million Pesos)

| Securities Held for Sale     | Book Value     | Interest     | Unrealized gain (loss) | Market Value   |
|------------------------------|----------------|--------------|------------------------|----------------|
| <b>Government Securities</b> | <b>97,618</b>  | <b>1,930</b> | <b>188</b>             | <b>99,735</b>  |
| <b>Unrestricted</b>          | <b>24,168</b>  | <b>207</b>   | <b>157</b>             | <b>24,532</b>  |
| CETES                        | 6              | -            | (0)                    | 6              |
| BONDES                       | 100            | 0            | 0                      | 100            |
| BREMS                        | 7,778          | 22           | -                      | 7,801          |
| Bonds                        | 376            | 1            | (28)                   | 349            |
| CBIC                         | 34             | 0            | 5                      | 40             |
| UMS                          | 15,874         | 183          | 180                    | 16,237         |
| Treasury Notes               | -              | 0            | -                      | 0              |
| <b>Restricted</b>            | <b>73,449</b>  | <b>1,723</b> | <b>30</b>              | <b>75,203</b>  |
| CETES                        | 96             | -            | (0)                    | 96             |
| BPA                          | 70,960         | 1,704        | (157)                  | 72,507         |
| Bonds                        | 0              | 0            | -                      | 0              |
| Udibonds                     | 0              | -            | -                      | 0              |
| UMS                          | 2,393          | 20           | 187                    | 2,600          |
| <b>Banking Securities</b>    | <b>8,219</b>   | <b>20</b>    | <b>24</b>              | <b>8,263</b>   |
| <b>Unrestricted</b>          | <b>8,219</b>   | <b>20</b>    | <b>24</b>              | <b>8,263</b>   |
| CEDES                        | 7,132          | 17           | 91                     | 7,239          |
| Stock Certificates           | 254            | 3            | 33                     | 290            |
| Structured Notes             | 774            | -            | (100)                  | 674            |
| Other Banking Securities     | 60             | 0            | 0                      | 60             |
| <b>Restricted</b>            | <b>(0)</b>     | <b>(0)</b>   | <b>-</b>               | <b>(0)</b>     |
| Stock Certificates           | (0)            | (0)          | -                      | (0)            |
| <b>Private Securities</b>    | <b>35,277</b>  | <b>274</b>   | <b>(4,285)</b>         | <b>31,266</b>  |
| <b>Unrestricted</b>          | <b>24,480</b>  | <b>236</b>   | <b>(2,694)</b>         | <b>22,021</b>  |
| Stock Certificates           | 5,943          | 47           | (417)                  | 5,573          |
| PEMEX Bonds                  | 9,079          | 154          | 11                     | 9,243          |
| Euro Bonds                   | 2,986          | 35           | 7                      | 3,027          |
| BMV stocks                   | 2,952          | -            | (2,448)                | 504            |
| Mutual Funds stocks          | 3,521          | -            | 153                    | 3,673          |
| <b>Restricted</b>            | <b>10,796</b>  | <b>39</b>    | <b>(1,590)</b>         | <b>9,245</b>   |
| Stock Certificates           | 6,299          | 24           | (30)                   | 6,293          |
| PEMEX Bonds                  | 2,955          | 14           | (48)                   | 2,922          |
| BMV stocks                   | 1,542          | -            | (1,512)                | 30             |
| <b>Total</b>                 | <b>141,113</b> | <b>2,224</b> | <b>(4,073)</b>         | <b>139,264</b> |

**FINANCIAL INSTRUMENTS AND VALUATION EFFECTS 2Q17***(Million Pesos)*

| Securities Held to Maturity     | Book Value    | Interest     | Unrealized gain (loss) | Market Value  |
|---------------------------------|---------------|--------------|------------------------|---------------|
| <b>Government Securities</b>    | <b>73,328</b> | <b>114</b>   | <b>-</b>               | <b>73,442</b> |
| <b>Unrestricted</b>             | <b>73,328</b> | <b>114</b>   | <b>-</b>               | <b>73,442</b> |
| CETES (Special)                 | 967           | -            | -                      | 967           |
| CBIC                            | 250           | 2            | -                      | 251           |
| Udibonds                        | 72,112        | 112          | -                      | 72,224        |
| <b>Restricted</b>               | <b>0</b>      | <b>0</b>     | <b>-</b>               | <b>0</b>      |
| Bonds                           | (0)           | 0            | -                      | 0             |
| CBIC                            | 0             | 0            | -                      | 0             |
| Udibonds                        | 0             | 0            | -                      | 0             |
| <b>Banking Securities</b>       | <b>1,827</b>  | <b>1,017</b> | <b>-</b>               | <b>2,844</b>  |
| <b>Unrestricted</b>             | <b>1,827</b>  | <b>1,017</b> | <b>-</b>               | <b>2,844</b>  |
| CEDES                           | 677           | 796          | -                      | 1,473         |
| Stock Certificates              | 700           | 14           | -                      | 713           |
| Structured Notes                | 449           | 208          | -                      | 657           |
| <b>Private Securities</b>       | <b>10,646</b> | <b>224</b>   | <b>-</b>               | <b>10,870</b> |
| <b>Unrestricted</b>             | <b>5,398</b>  | <b>201</b>   | <b>-</b>               | <b>5,600</b>  |
| Stock Certificates              | 5,398         | 201          | -                      | 5,600         |
| <b>Restricted</b>               | <b>5,248</b>  | <b>22</b>    | <b>-</b>               | <b>5,270</b>  |
| Stock Certificates              | 5,248         | 22           | -                      | 5,270         |
| Fair Value Adjustment Ixe Banco | (29)          | -            | -                      | (29)          |
| <b>Total</b>                    | <b>85,772</b> | <b>1,355</b> | <b>-</b>               | <b>87,127</b> |

**REPURCHASE AGREEMENT OPERATIONS 2Q17***(Million Pesos)*

| Repo Debtors          |                 |                                           | Repo Creditors |                  |                   |
|-----------------------|-----------------|-------------------------------------------|----------------|------------------|-------------------|
|                       | MV Repo Debtors | VM Collateral received sold in Repo Trans | Debtor Balance | Creditor Balance | MV Repo Creditors |
| Government securities | 29,212          | 29,212                                    | 0              | 0                | 260,510           |
| Banking securities    | 2,711           | 2,711                                     | 0              | 0                | 26,732            |
| Private Securities    | 1,113           | 1,113                                     | 0              | 0                | 19,919            |
| <b>Total</b>          | <b>33,037</b>   | <b>33,036</b>                             | <b>0</b>       | <b>0</b>         | <b>307,161</b>    |

**DERIVATES FINANCIAL INSTRUMENTS  
OPERATIONS 2Q17  
(Million Pesos)**

| <b>Creditor Balance</b> |                   |
|-------------------------|-------------------|
| <b>Instrument</b>       | <b>Fair Value</b> |
| <b>Futures</b>          |                   |
| TIIE 28 Futures         | -                 |
| <b>Forward</b>          |                   |
| Fx Forward              | 58                |
| <b>Options</b>          |                   |
| Rate options            | 623               |
| Fx options              | 35                |
| Warrants                | 41                |
| <b>Swaps</b>            |                   |
| Rate swap               | 15,311            |
| Fx swap                 | 4,318             |
| <b>Negotiable Total</b> | <b>20,387</b>     |
| <b>Options</b>          |                   |
| Rate Options            | 10                |
| Fx options              | -                 |
| <b>Swaps</b>            |                   |
| Rate swap               | 206               |
| Fx swap                 | -                 |
| <b>Hedging total</b>    | <b>216</b>        |
| <b>Position total</b>   | <b>20,603</b>     |

**DERIVATES FINANCIAL INSTRUMENTS  
OPERATIONS 2Q17  
(Million Pesos)**

| <b>Debtor Balance</b>   |                   |
|-------------------------|-------------------|
| <b>Instrument</b>       | <b>Fair Value</b> |
| <b>Futures</b>          |                   |
| TIIE 28 Futures         | -                 |
| <b>Forward</b>          |                   |
| Fx Forward              | 116               |
| <b>Options</b>          |                   |
| Rate options            | 563               |
| Fx options              | 44                |
| <b>Swaps</b>            |                   |
| Rate swap               | 13,323            |
| Fx swap                 | 5,398             |
| <b>Negotiable Total</b> | <b>19,445</b>     |
| <b>Swaps</b>            |                   |
| Rate swap               | 485               |
| Fx swap                 | 6,066             |
| <b>Hedging total</b>    | <b>6,552</b>      |
| <b>Position total</b>   | <b>25,997</b>     |

**NOTIONAL PRINCIPAL AMOUNT IN DERIVATIVE OPERATIONS 2Q16 - Banorte**
*(Million Pesos)*

| PRODUCT                    | TYPE      | UNDERLYING              | NOTIONAL  | OPERATIONS |
|----------------------------|-----------|-------------------------|-----------|------------|
| FX Forwards                | Purchases | Exchange Rate (USD/MXN) | 1,306     | 28         |
| FX Forwards                | Sales     | Exchange Rate (USD/MXN) | 1,090     | 58         |
| FX Forwards                | Purchases | Exchange Rate (CAD/MXN) | 0         | 0          |
| FX Forwards                | Sales     | Exchange Rate (CAD/MXN) | 0         | 0          |
| FX Forwards                | Purchases | Exchange Rate (EUR/MXN) | 4         | 2          |
| FX Forwards                | Sales     | Exchange Rate (EUR/MXN) | 4         | 2          |
| FX Options                 | Purchases | Exchange Rate (Dollar)  | 2,800     | 3          |
| FX Options                 | Sales     | Exchange Rate (Dollar)  | 2,894     | 14         |
| Interest Rate Options      | Purchases | TIE                     | 65,563    | 131        |
| Interest Rate Options      | Sales     | TIE                     | 79,920    | 551        |
| Interest Rate Options      | Purchases | LIBOR                   | 6,190     | 23         |
| Interest Rate Options      | Sales     | LIBOR                   | 6,346     | 23         |
| Interest Rate Swaps        | USD LIBOR | LIBOR                   | 396,556   | 2,969      |
| Interest Rate Swaps        | MXN TIE   | TIE                     | 1,299,825 | 4,121      |
| Interest Rate and FX Swaps | CS USDMXN | FIX/VARIABLE            | 137       | 3          |
| Interest Rate and FX Swaps | CS USDMXN | VARIABLE/VARIABLE       | 70,677    | 78         |
| Interest Rate and FX Swaps | CS USDMXN | FIX/FIX                 | 5,853     | 21         |
| Interest Rate and FX Swaps | CS EURMXN | FIX/VARIABLE            | 8,251     | 64         |
| Interest Rate and FX Swaps | CS GBPMXN | FIX/VARIABLE            | 2,334     | 11         |

**LOAN PORTFOLIO**
*(Million Pesos)*

|                                 | Local Currency |                | UDIS       |            | Foreign Currency |               | Total          |                |
|---------------------------------|----------------|----------------|------------|------------|------------------|---------------|----------------|----------------|
|                                 | 2Q16           | 2Q17           | 2Q16       | 2Q17       | 2Q16             | 2Q17          | 2Q16           | 2Q17           |
| <b>Performing Loans</b>         |                |                |            |            |                  |               |                |                |
| Commercial Loans                | 161,932        | 192,760        | -          | -          | 39,546           | 38,524        | 201,478        | 231,284        |
| Financial Intermediaries' Loans | 1,349          | 5,607          | -          | -          | 1,965            | -             | 3,313          | 5,607          |
| Consumer Loans                  | 80,643         | 98,478         | -          | -          | -                | -             | 80,643         | 98,478         |
| Mortgage Loans                  | 104,523        | 124,035        | 210        | 170        | -                | -             | 104,733        | 124,206        |
| Government Entities' Loans      | 134,203        | 131,861        | -          | -          | 1,514            | 2,562         | 135,717        | 134,423        |
| <b>Total</b>                    | <b>482,649</b> | <b>552,741</b> | <b>210</b> | <b>170</b> | <b>43,025</b>    | <b>41,085</b> | <b>525,884</b> | <b>593,997</b> |
| <b>Past Due Loans</b>           |                |                |            |            |                  |               |                |                |
| Commercial Loans                | 7,742          | 5,688          | 0          | 0          | 56               | 51            | 7,797          | 5,739          |
| Financial Intermediaries' Loans | 344            | 0              | -          | -          | -                | -             | 344            | 0              |
| Consumer Loans                  | 3,343          | 3,918          | -          | -          | -                | -             | 3,343          | 3,918          |
| Mortgage Loans                  | 1,125          | 1,143          | 15         | 18         | 0                | 0             | 1,141          | 1,161          |
| Government Entities' Loans      | -              | -              | -          | -          | -                | -             | -              | -              |
| <b>Total</b>                    | <b>12,554</b>  | <b>10,749</b>  | <b>15</b>  | <b>18</b>  | <b>56</b>        | <b>51</b>     | <b>12,624</b>  | <b>10,818</b>  |
| <b>Total Proprietary Loans</b>  | <b>495,203</b> | <b>563,490</b> | <b>225</b> | <b>188</b> | <b>43,080</b>    | <b>41,136</b> | <b>538,508</b> | <b>604,815</b> |

**COST OF BALANCES OF FINAPE, FOPYME, MORTGAGE UDIS AND  
MORTGAGE FOVI LOAN PORTFOLIOS AS OF 2Q17- GFNorte**

(Million Pesos)

|               | PERIOD COST | TOTAL<br>BALANCE OF LOAN<br>PORTFOLIO |
|---------------|-------------|---------------------------------------|
| FINAPE        | -           | -                                     |
| FOPYME        | -           | -                                     |
| Mortgage UDIS | 5.7         | 0.0                                   |
| Mortgage FOVI | -           | -                                     |
|               | <b>5.7</b>  | <b>0.0</b>                            |

**DEFERRED TAXES 2Q17**

(Million Pesos)

| ASSETS                                                             | INCOME<br>TAX  | NET            |
|--------------------------------------------------------------------|----------------|----------------|
| Global Loss Reserves Loan Portfolio                                | 4,650          | <b>4,650</b>   |
| Non deductible provisions and cumulative income                    | 1,036          | <b>1,036</b>   |
| Excess of accounting value over fiscal value on Repossessed Assets | 1,010          | <b>1,010</b>   |
| Diminishable profit sharing                                        | 146            | <b>146</b>     |
| Fees received in advance                                           | 983            | <b>983</b>     |
| Effects from valuation of instruments                              | 1,336          | <b>1,336</b>   |
| Tax losses pending amortization                                    | 1,390          | <b>1,390</b>   |
| Provisions for possible loss in loans                              | 553            | <b>553</b>     |
| Loss on sale of foreclosed assets and credits                      | -              | -              |
| State Tax on Assets Deferred                                       | -              | -              |
| Loss on sale of foreclosed assets and credits                      | -              | -              |
| Loss on sale of foreclosed assets and credits                      | 29             | <b>29</b>      |
| <b>Total Assets</b>                                                | <b>11,132</b>  | <b>11,132</b>  |
| <b>LIABILITIES</b>                                                 |                |                |
| Pension Funds Contribution                                         | (906)          | <b>(906)</b>   |
| Loan Portfolio Acquisitions                                        | (289)          | <b>(289)</b>   |
| Projects to be capitalized                                         | (3,207)        | <b>(3,207)</b> |
| Intangibles' amortizations                                         | (2)            | <b>(2)</b>     |
| Effects from valuation of instruments                              | (2,287)        | <b>(2,287)</b> |
| Intangibles' amortizations                                         | (630)          | <b>(630)</b>   |
| Unrealized Loss on Securities held for Sale                        | (82)           | <b>(82)</b>    |
| <b>Total Liabilities</b>                                           | <b>(7,402)</b> | <b>(7,402)</b> |
| Assets (Liabilities) Accumulated Net                               | 3,729          | <b>3,729</b>   |

**LONG TERM DEBT AS OF JUNE '17 - BANCO MERCANTIL DEL NORTE**

(Million Pesos)

| TYPE OF DEBT                                                                         | CURRENCY | DATE OF<br>ISSUE | ORIGINAL<br>AMOUNT | ORIGINAL<br>AMOUNT<br>(VALUED) | CURRENT<br>AMOUNT | TERM     | RATE   | MATURITY  | INTEREST<br>PAYMENT |
|--------------------------------------------------------------------------------------|----------|------------------|--------------------|--------------------------------|-------------------|----------|--------|-----------|---------------------|
| Non Convertible Subordinated Bonds 2016 (BANOC36 311004)                             | USD      | 04-oct-16        | 500                | 9,607                          | 9,031             | 15 years | 5.750% | 04-oct-31 | E/ 180 days         |
| Non Convertible Subordinated Bonds Q Banorte 08U                                     | UDIs     | 11-mar-08        | 447                | 1,749                          | 2,572             | 20 years | 4.950% | 15-feb-28 | E/ 182 days         |
| Non-Preferred Non-Cumulative Subordinated Fixed Rate Notes due 2020 (IXEGB40 141020) | USD      | 14-oct-10        | 120                | 1,484                          | 2,167             | 10 years | 9.25%  | 14-oct-20 | E/ 180 days         |

**BANK AND OTHER ENTITIES LOANS' AS OF 2Q17***(Million Pesos)*

|                                                         | LOCAL<br>CURRENCY | FOREIGN<br>CURRENCY | TOTAL         |
|---------------------------------------------------------|-------------------|---------------------|---------------|
| Loans from Foreign Banks generated from foreign country | -                 | 2,259               | 2,259         |
| Loans from Development Banks                            | 10,593            | 3,871               | 14,464        |
| Loans from Public Funds                                 | 9,518             | 1,146               | 10,665        |
| Call Money & Loans from Banks                           | 25,111            | -                   | 25,111        |
| Loans from Fiduciary Funds                              | 117               | -                   | 117           |
| Provisions for Interest                                 | 140               | -                   | 140           |
|                                                         | <b>45,479</b>     | <b>7,276</b>        | <b>52,755</b> |
| Eliminations                                            |                   |                     | (18,057)      |
| <b>Total</b>                                            |                   |                     | <b>34,698</b> |

**CORE DEPOSITS AND DUE TO BANKS & CORRESPONDENTS -  
INTEREST RATES 2Q17**
**CORE DEPOSITS (BANORTE)****Demand Deposits**

|                         |       |
|-------------------------|-------|
| Local Currency and UDIs | 0.66% |
| Foreign Currency        | 0.02% |

**Time Deposits - Retail**

|                         |       |
|-------------------------|-------|
| Local Currency and UDIs | 5.50% |
| Foreign Currency        | 0.18% |

**Time Deposits - Money Market**

|                         |       |
|-------------------------|-------|
| Local Currency and UDIs | 6.64% |
|-------------------------|-------|

**DUE TO BANKS & CORRESPONDENTS (BANORTE)****Immediate Redemption Loans**

|                         |       |
|-------------------------|-------|
| Local Currency and UDIs | 6.80% |
|-------------------------|-------|

**Public Funds and Development Banks**

|                         |        |
|-------------------------|--------|
| Local Currency and UDIs | 10.66% |
| Foreign Currency        | 2.53%  |

**MAIN CREDIT LINES RECEIVED 2Q16 (BANORTE)***Million pesos*

|                                             | 2Q16           | 1Q17           | 2Q17           | Change vs.<br>2Q16 | Change vs.<br>1Q17 |
|---------------------------------------------|----------------|----------------|----------------|--------------------|--------------------|
| Banxico (Monetary Regulation Deposits)      | 33,449         | 33,449         | 33,449         | 0%                 | 0%                 |
| Banxico (Repos with the System of Payments) | 46,962         | 51,623         | 53,517         | 14%                | 4%                 |
| Call Money                                  | 111,746        | 111,923        | 111,531        | (0%)               | (0%)               |
| <b>TOTAL</b>                                | <b>192,157</b> | <b>196,995</b> | <b>198,497</b> | <b>3%</b>          | <b>1%</b>          |

**TRADING INCOME 2Q17***Million Pesos*

| <b>Trading income</b>                                          | <b>Consolidated</b> |
|----------------------------------------------------------------|---------------------|
| <b>Securities - Unrealized gains</b>                           | <b>92</b>           |
| Negotiable instruments                                         | <b>126</b>          |
| Derivative instruments - Negotiation                           | <b>21</b>           |
| Derivative instruments - Hedging                               | <b>(55)</b>         |
| <b>Impairment loss or revaluation increase</b>                 | <b>(141)</b>        |
| <b>Result from foreign exchange valuation</b>                  | <b>(165)</b>        |
| <b>Result from valuation of precious metals</b>                | <b>-2</b>           |
| <b>Result from purchase/sale of securities and derivatives</b> | <b>990</b>          |
| Negotiable instruments                                         | <b>610</b>          |
| Securities held for sale                                       | <b>26</b>           |
| Securities held to maturity                                    | <b>0</b>            |
| Derivative instruments - Hedging                               | <b>354</b>          |
| <b>Result from purchase/sale of foreign exchange</b>           | <b>1,041</b>        |
| <b>Result from purchase/sale of precious metals</b>            | <b>2</b>            |
| <b>Total</b>                                                   | <b>1,818</b>        |

## Risk Management

Risk management at Grupo Financiero Banorte is a key element in determining and implementing Group's strategic planning. The Group's risk management and policies comply with regulations and market best practices.

### 1. OBJECTIVES, SCOPE AND RISK MANAGEMENT FUNCTIONS

**GFNorte's Risk Management main objectives are:**

- Provide to different business areas, clear rules that contribute to minimize risk and ensure compliance with the parameters established and approved by the Board of Directors and the Risk Policies Committee (CPR by its acronym in Spanish).
- Establish mechanisms to monitor risk taking across GFNorte, through the use of robust systems and processes.
- Verify the observance of Risk Appetite.
- Estimate and control GFNorte's capital, under regular and stressed scenarios, aiming to provide coverage for unexpected losses from market movements, credit bankruptcies, and operational risks.
- Implement pricing models for different types of risks.
- Establish procedures for portfolio's optimization and credit portfolio management.
- Update and monitor Contingency Plan in order to restore capital and liquidity levels in case of adverse events.

Moreover, GFNorte owns sound methodologies to manage quantifiable risks such as Credit Risk, Market Risk, Liquidity Risk, Operational Risk, Concentration Risk and Counterparty Risk.

Credit Risk: revenue volatility due to constitution of provisions for impaired loans, and potential losses on borrower or counterparty defaults.

Market Risk: revenue volatility due to market changes, which affect the valuation of book positions for active, liabilities or contingent liabilities operations, such as: interest rates, spread over yields, exchange rates, price indices, etc.

Liquidity Risk: potential loss by the impossibility of renewing liabilities or securing resources in normal conditions, and by early or forced sale of assets at unusual discounts to meet their obligations.

Operational Risk: loss resulting from inadequate or failed internal processes, employees, internal systems or external events. This definition includes Technology Risk and Legal Risk. Technology Risk, groups all those potential losses from damage, interruption, disruption or failures resulting from use of or reliance on hardware, software, systems, applications, networks and any other information distribution channel, while the Legal Risk involves the potential loss by sanctions for noncompliance with laws and administrative or judicial decisions unfavorable related to GFNorte's operations.

Concentration Risk: potential loss by high and disproportional exposure to particular risk factors within a single category or among different risk categories.

Likewise, regarding unquantifiable risks, Risk Management's Manual in GFNorte establish specific objectives for:

Reputational Risk: potential loss in the performance of Institution's activities, due to an inappropriate or unethical perception of the different stakeholders, internal or external, on their solvency and viability.

#### 1.1 Risk Management – Structure and Corporate Governance

Regarding the structure and organization for a comprehensive Risk Management, the Board of Directors is responsible for authorizing policies and overall strategies such as:

- GFNorte's Risk Appetite.
- Comprehensive Risk Management Framework.
- Risk exposure limits, risk tolerance levels and mechanisms for corrective actions.
- Contingency Plan and the Contingency Funding Plan.
- The outcome of the internal and regulatory capital adequacy scenarios.

The Board of Directors designates the CPR (Risk Policy Committee) as accountable for managing the risks that GFNorte is exposed to, in order to ensure that operations comply with objectives, policies and procedures established by Risk Management.

The CPR also monitors the overall limits of risk exposure approved by the Board of Directors, in addition to approving specific limits for exposure to different types of risk.

The CPR is integrated by members and deputies of the Board, the CEO, the Managing Directors of the Group's Entities, the Risk Managing Director and the Audit Managing Director, the latter participates with voice but no vote.

Moreover, the Assets and Liabilities Committee (ALCO) and the Capital and Liquidity Group, analyze, monitors, and decide regarding interest rate risks in the balance sheet, the financial margin, liquidity and net capital of the Institution.

The Unit for the Comprehensive Risk Management (UAIR by its acronym in Spanish) is in charge of the Risk Management Department (DGAR), and among its functions, is responsible to identify measure, monitor, limit, control, report and disclose the different types of risk to which the GFNorte is exposed to.

The DGAR reports to CPR, in compliance with the regulation related to its independence from the Business areas.

## **1.2 Scope and Nature of GFNorte's Risk Management**

The function of the Risk Management extends to all subsidiaries comprising GFNorte. Depending on each of the Businesses' lines, Credit, Concentration, Market, Liquidity and Operational Risks are measured, managed and controlled.

For this purpose, DGAR relies on different information and risks measurement systems, which comply with regulatory standards and are aligned with best international practices in Risk Management's matters. It's worth mentioning that information and reports contained and produced in the risks systems are constantly backed up following institutional procedures in IT security matters. Furthermore, risks systems enclose transactions susceptible to Credit, Market, Liquidity and Operational Risks, processed through revised models and methodologies, thus generating periodic reports for each one of these risks.

At GFNorte, there are policies and procedures for hedging, risk mitigation and compensation strategies for each type of risk in and off balance, all of them enclosed in models, methodologies and procedures for Risk Management. Within these policies and procedures, are detailed among others: features, loan to value, legal terms, instrumentation and the hedging level when mitigating or compensating risk. These policies and procedures also consider collateral execution as a risk compensation mechanism in the case of non-fulfillment by debtors. As part of the strategies and processes for monitoring the coverage or mitigation effectiveness for each type of risk, there are limits for each one of them (Credit, Market, Liquidity and Operational Risks), which are monitored continuously, as well as procedures established for the documentation of excesses and its causes, and the corrective actions implemented to return to acceptable risk levels.

## **2. CREDIT RISK**

It is the risk that clients, issuers or counterparts do not fulfill their payment obligations. Therefore, proper management is essential to maintain loan quality of the portfolio.

The objectives of Credit Risk Management at GFNorte are:

- Comply with the Risk Appetite defined by the Board of Directors.
- Improve the quality, diversification and composition of the loan portfolio in order to optimize the risk- reward ratio.
- Provide Executive Management with reliable, timely information to assist decision making regarding funding.
- Provide Business Areas with clear and sufficient tools to support and monitor funding placement.
- Create economic value for shareholders through an efficient Credit Risk Management.
- Define and update the regulatory framework for the Credit Risk Management.
- Comply with the information requirements that the authorities establish regarding Credit Risk Management.
- Perform Risk Management in accordance with the best practices, implementing models, methodologies, procedures and systems based on best practices worldwide.
- Measure Institution's vulnerability to extreme conditions and consider those results for decisions making.

GFNorte's Risk Management policies are:

- Grant and Manage Retail Credit Risk according to best market practices through Parametric Models aimed to identify risk, minimize losses and increase loan origination with quality.
- Grant and Manage Wholesale Loans to companies and other entities, according to best market practices through a credit strategy including Target Markets and Risk Acceptance Criteria, identifying and managing risk through Loan Rating and Early Alerts methodologies.
- Monitor and control asset quality through Loan Classification System which provides treatment and general actions for defined situations, as well as departments or officers responsible for carrying out such actions.
- Surveillance and Control through Global and Specific Limits, loan rating policies and Credit Risk models that identifies expected and unexpected losses at specific confidence intervals.
- Inform and disclose Credit Risks to risk taking areas, CPR, Board of Directors, Financial Authorities and Investors.
- Define faculties for Credit Risks taking at Institution.

In order to comply with objectives and policies, a series of strategies and procedures have been defined including origination, analysis, approval, management, monitoring, recovery and collections.

## **2.1 Credit Risk Scope and Methodology**

### **2.1.1 Individual Credit Risk**

GFNorte segments the loan portfolio into two large groups: retail loans and wholesale loans.

The individual Credit Risk for retail loans is identified, measured and controlled through a parametric system (scoring) that includes models for each of the SME (small and medium enterprises) and consumer products (mortgage, auto, payroll, personal loans and credit cards).

Individual risk for wholesale loans is identified, measured and controlled through Objective Markets, Criteria for Risk Acceptance, Early Alerts and GFNorte's Internal Risk Rating (CIR Banorte).

The Objective Markets, Criteria for Risk Acceptance and Early Alerts are tools that, together with the Internal Risk Rating, are part of GFNorte's Loan Strategy and support the estimated level of Credit Risk.

The Target Markets are categories of economic activity by region, backed by economic research and loan behavior analysis as well as by expert opinions, where GFNorte is interested in granting loans.

The Risk Acceptance Criteria are parameters that describe different types of risks by industry, in order to estimate the risk taking when granting loans to customers based on their economic activity. The types of risk observed in the Risk Acceptance Criteria are: Financial, Operation, Market, Enterprise's life cycle, Legal and Regulatory Risks, besides credit experience and management quality.

Early Alerts are a set of criteria based on borrower information and indicators, as well as their environment, as a mechanism for timely prevention and identification of a probable deterioration in the loan portfolio, thereby enabling Institution to take prompt preventive actions to mitigate Credit Risk.

Banorte's CIR is a borrower's rating methodology which assesses quantitative and qualitative criteria in order to determine credit quality. CIR applies to commercial loans equal to or greater than the equivalent of four million investment units (UDIS) in Mexican pesos equivalent on the qualification date.

### **2.1.2 Portfolio Credit Risk**

GFNorte developed a portfolio Credit Risk methodology that, besides including international standards for identifying, measuring, controlling and monitoring, has been adapted to function within the context of the Mexican Financial System.

This Credit Risk methodology provides current value of the entire loan's portfolio at GFNorte, that is, the loan exposure, in order to monitor risk concentration levels through risk ratings, geographical regions, economic activities, currency and type of product in order to observe the portfolio's profile and take action to improve diversification, which will maximize profitability with the lowest risk.

The model considers the loan portfolio exposure directly to the balance of each loan, whereas for the financial instruments' portfolio, considers the present value of the instruments and their future cash flows. This exposure is sensible to changes in the market, thereby facilitating estimations under different economic scenarios

The methodology, besides loan exposure, takes into consideration the probability of default, recovery level associated to each client and the classification of the debtor based on the Merton model. The probability of default is the probability that the debtor will not fulfill his/her debt obligation with the institution according to the originally agreed terms and conditions. The probability of default is based on transition matrixes estimated by GFNorte based on the migration of the debtors through different risk rating levels. The recovery ratio is the percentage of total exposure that is estimated to be recovered if the debtor defaults. The classification of the debtor, based on the Merton model, associates the debtor's future behavior to loan and market factors on which his "credit health" depends, as determined by statistical techniques.

The results of this methodology, are risk measures such as the expected and unexpected loss at a one-year horizon. The expected loss is the average of credit portfolio's loss distribution, which is used to measure the following year's expected loss due to default or variations in debtors' credit quality. The unexpected loss is an indicator of the loss in extreme scenarios and is measured as the difference between the maximum losses given the distribution of losses, at a specific confidence level that for GFNorte's is 99.95% and expected loss.

These results are used as a tool for better decision-making in granting loans and in the diversification of the portfolio, according to GFNorte's strategy. The individual risk identification tools and the portfolio Credit Risk methodology are periodically verified and updated to in order to include the application of new techniques that may support or strengthen them.

### 2.1.3 Credit Risk of Financial Instruments

Credit Risk Management of financial instruments is managed through a series of key pillars with a robust framework of policies for origination, analysis, authorization and management.

Origination policies define the types of eligible negotiable financial instruments, as well as the methodology for assessing Credit Risk of the different types of originators / issuers and counterparties. Credit Risk is allocated through: a risk rating obtained with an internal methodology, evaluations of external rating agencies or a combination of both. Maximum parameters of operation are also defined depending on the type of originator / issuer or counterparty, rating and type of operation.

The Loan Committee authorizes operation lines with financial instruments for clients and counterparties in accordance with authorization policies. The authorization request is submitted by the business area and other areas involved in the operation, with all the relevant information for analysis by the Committee who, if considered appropriate, issues its authorization. Nevertheless, the UAIR is empowered to authorize counterparty credit lines (mainly financial entities) that comply with certain criteria through a parametric methodology approved by the CPR.

In the specific case of derivatives contracts, and in line with best practices, a methodology for calculating potential exposure of credit lines is used, which are analyzed and approved within the Credit Committee and are monitored on daily and monthly basis in the CPR, where guarantee analysis for derivative transaction is held both for clients and financial counterparties.

The National Credit Committee holds the minimum faculty to approve credit lines for derivatives (in case of applying facilities, the UAIR will hold the faculty). For these transactions, the use of derivatives with margin calls shall be privileged in order to mitigate the risk of potential exposure to these transactions.

To determine the lines of credit adversely correlated (Wrong Way Risk "WWR") a potential exposure adjustment is considered.

On an individual level, the risk concentration on financial instruments is managed on a continuous basis, establishing and monitoring maximum parameters of operation for each counterparty or issuer depending on the qualification and type of operation. There are defined risk diversification policies for portfolios, for economic groups and internal groups. Additionally, the concentration of counterparty type or issuer, size of financial institutions and the region in which it operates, are monitored so that an appropriate diversification is obtained and undesired concentrations are avoided.

Credit Risk is measured through a rating associated with the issuer, security or counterparty which has a previously assigned risk level based on two fundamentals:

- 1) The probability of nonfulfillment of the issuer, security or counterparty, which is expressed as a percentage between 0% and 100% where the better the rating or lower rate differential vs. the instrument of an equivalent government bond, the lower the probability of non-fulfillment and vice versa.

- 2) The loss given default that could be experienced with respect of the total of the operation in the event of non-fulfillment, is expressed as a percentage between 0% and 100% where the better the guarantees or credit structures, the smaller the loss given default and vice versa. To mitigate Credit Risk and to reduce the loss given default in the event of non-fulfillment, the counterparties have signed ISDA contracts and agreements to net out, in which credit lines and the use of collateral to mitigate loss in the event of non-fulfillment are implemented.

## 2.2 Credit Risk Exposure

As of June 30, 2017 the total amount of the exposure subject to the Standard Method to estimate the Capital Ratio is the following:

| Gross Exposures subject to the Standard Method<br>(Million pesos) | Banorte        | Arrendadora y Factor* | Sólida       | Total Loans     |
|-------------------------------------------------------------------|----------------|-----------------------|--------------|-----------------|
| Commercial                                                        | 164,641        | 22,056                | 702          | 187,399         |
| YoY Revenues or Sales < 14 MM UDIS                                | 67,343         | 843                   | 0            | 68,185          |
| YoY Revenues or Sales >= 14 MM UDIS                               | 97,298         | 21,213                | 702          | 119,214         |
| States or Municipalities                                          | 87,101         | 237                   | 0            | 87,338          |
| Decentralized Federal Government Agencies and State Companies     | 46,293         | 780                   | 0            | 47,073          |
| Projects with own source of payment                               | 49,672         | 0                     | 0            | 49,672          |
| Financial Institutions                                            | 23,538         | 114                   | 0            | 23,652          |
| Mortgage                                                          | 125,367        | 0                     | 0            | 125,367         |
| Consumer                                                          | 97,866         | 5                     | 4,526        | 102,397         |
| Credit Card                                                       | 33,633         | 0                     | 0            | 33,633          |
| Non-revolving                                                     | 64,233         | 5                     | 4,526        | 68,764          |
| <b>Total Loans subject to the Standard Method</b>                 | <b>594,479</b> | <b>23,191</b>         | <b>5,229</b> | <b>622,899</b>  |
| <b>Eliminations</b>                                               |                |                       |              | <b>(18,084)</b> |
| <b>Total Loans</b>                                                |                |                       |              | <b>604,815</b>  |

\*Excludes pure leasing

For transactions subject to Credit Risk, the Institution uses external ratings issued by the rating agencies S&P, Moody's, Fitch, HR Ratings and Verum. Only ratings issues by rating agencies are considered, and are not assigned based on comparable assets.

### 2.2.1 Loan Portfolio

GFNorte's Credit Risk loan portfolio as of June 2017 presented an exposure of Ps 604,815 million, higher in Ps 25,383 million or +4.4% QoQ and Ps 48,032 million or +8.6% YoY.

Variations per product of GFNorte's total portfolio are:

| Product / Segment<br>(Million pesos) | Total Loan     |                |                | Var. vs 1Q17  |             | Var. vs 2Q16  |             |
|--------------------------------------|----------------|----------------|----------------|---------------|-------------|---------------|-------------|
|                                      | 2Q16           | 1Q17           | 2Q17           | \$            | %           | \$            | %           |
| Government                           | 135,717        | 131,551        | 134,423        | 2,872         | 2.2%        | (1,294)       | (1.0%)      |
| Commercial                           | 133,517        | 127,214        | 133,252        | 6,037         | 4.7%        | (265)         | (0.2%)      |
| Mortgage                             | 107,455        | 120,329        | 125,367        | 5,038         | 4.2%        | 17,913        | 16.7%       |
| Corporate                            | 95,956         | 104,914        | 109,378        | 4,464         | 4.3%        | 13,422        | 14.0%       |
| Payroll                              | 43,503         | 48,180         | 51,771         | 3,591         | 7.5%        | 8,267         | 19.0%       |
| Credit Card                          | 26,958         | 31,176         | 33,633         | 2,457         | 7.9%        | 6,675         | 24.8%       |
| Auto Loans                           | 13,678         | 16,067         | 16,992         | 925           | 5.8%        | 3,314         | 24.2%       |
| <b>Total Loans</b>                   | <b>556,783</b> | <b>579,432</b> | <b>604,815</b> | <b>25,383</b> | <b>4.4%</b> | <b>48,032</b> | <b>8.6%</b> |

| Subsidiary<br>(Million pesos) | Loans          |              | Distressed Portfolio |              | Total          | Total Reserves |
|-------------------------------|----------------|--------------|----------------------|--------------|----------------|----------------|
|                               | Performing     | Past-due     | Performing           | Past-due     |                |                |
| Banorte*                      | 564,244        | 5,300        | 1,553                | 5,298        | 576,395        | 15,316         |
| Arrendadora y Factoraje       | 23,028         | 19           | 19                   | 125          | 23,191         | 322            |
| Sólida                        | 5,153          | 51           | 0                    | 25           | 5,229          | 288            |
| Accounting Records            |                |              |                      |              |                | 193            |
| <b>Total Loans</b>            | <b>592,425</b> | <b>5,370</b> | <b>1,572</b>         | <b>5,448</b> | <b>604,815</b> | <b>16,119</b>  |

\* Banorte's total loans include eliminations for (Ps 18,084)

Total reserves Ps 16,119 million, includes rating reserves for Ps 15,926 million and accounting records (to reserve 100% overdue interests, valuation, negative debts in the Credit Bureau and registered in recoveries) for Ps 193 million.

GFNorte's performing, past-due and distressed portfolios in 2Q17 grouped by sector and subsidiary are detailed in the two following tables:

| Sector<br>(Million pesos) | Loans          |              | Distressed   |              | Total Loans    | Reserves      |              | QoQ Charge offs | Days Past-Due** |
|---------------------------|----------------|--------------|--------------|--------------|----------------|---------------|--------------|-----------------|-----------------|
|                           | Performing     | Past-Due     | Performing   | Past-Due     |                | 2Q17          | Var. vs 1Q17 |                 |                 |
| Government                | 134,423        | 0            | 0            | 0            | 134,423        | 707           | 67           | 0               | 0               |
| Services*                 | 56,926         | 26           | 294          | 544          | 57,790         | 886           | 58           | 67              | 375             |
| Construction              | 46,270         | 124          | 788          | 2,819        | 50,001         | 2,063         | 225          | 70              | 1,184           |
| Commerce                  | 44,698         | 93           | 251          | 1,446        | 46,488         | 1,111         | 18           | 140             | 307             |
| Manufacturing             | 39,245         | 22           | 173          | 366          | 39,805         | 528           | (34)         | 46              | 310             |
| <b>Top 5 Sectors</b>      | <b>321,561</b> | <b>265</b>   | <b>1,507</b> | <b>5,174</b> | <b>328,507</b> | <b>5,295</b>  | <b>333</b>   | <b>323</b>      |                 |
| Other Sectors             | 48,180         | 25           | 65           | 274          | 48,545         | 457           | (232)        | 14              |                 |
| Mortgage                  | 124,206        | 1,161        | 0            | 0            | 125,367        | 1,040         | 380          | 256             |                 |
| Consumer                  | 98,478         | 3,918        | 0            | 0            | 102,396        | 9,134         | 1,413        | 1,997           |                 |
| Accounting Records        |                |              |              |              |                | 193           |              |                 |                 |
| <b>Total Group</b>        | <b>592,425</b> | <b>5,370</b> | <b>1,572</b> | <b>5,448</b> | <b>604,815</b> | <b>16,119</b> | <b>1,894</b> | <b>2,590</b>    |                 |

\* Includes Financial, Real Estate and Other Services

\*\*Days past due from Non-Performing Loans.

| Sector/Subsidiary<br>(Million pesos) | Banorte*       | AyF           | Sólida       | Total Loans    |
|--------------------------------------|----------------|---------------|--------------|----------------|
| Government                           | 133,394        | 1,029         | 0            | 134,423        |
| Services**                           | 53,037         | 4,753         | 0            | 57,790         |
| Construction                         | 46,350         | 3,551         | 100          | 50,001         |
| Commerce                             | 40,971         | 4,915         | 602          | 46,488         |
| Manufacturing                        | 33,345         | 6,461         | 0            | 39,805         |
| <b>Top 5 Sectors</b>                 | <b>307,097</b> | <b>20,707</b> | <b>702</b>   | <b>328,507</b> |
| Remaining                            | 269,297        | 2,484         | 4,526        | 276,308        |
| <b>Total Loans</b>                   | <b>576,395</b> | <b>23,191</b> | <b>5,229</b> | <b>604,815</b> |

\* Banorte's total loans include eliminations for (Ps 18,084)

\*\* Includes Financial and Real Estate services

As of 2Q17, GFNorte's performing, past due and distressed portfolios grouped by federal entity and subsidiary are detailed in the following two tables:

|    | Federal Entities       | Loans          |              | Distressed   |              | Total Loans    | Total Reserves |
|----|------------------------|----------------|--------------|--------------|--------------|----------------|----------------|
|    | (Million pesos)        | Performing     | Past-Due     | Performing   | Past-Due     |                |                |
| 1  | Ciudad de México       | 174,165        | 1,294        | 933          | 3,457        | 179,848        | 5,165          |
| 2  | Nuevo León             | 94,366         | 616          | 93           | 315          | 95,390         | 2,022          |
| 3  | Estado de México       | 48,133         | 604          | 81           | 317          | 49,136         | 1,421          |
| 4  | Jalisco                | 34,850         | 378          | 58           | 154          | 35,441         | 863            |
| 5  | Tamaulipas             | 19,733         | 170          | 41           | 131          | 20,076         | 517            |
| 6  | Sinaloa                | 16,137         | 146          | 36           | 85           | 16,404         | 329            |
| 7  | Veracruz               | 15,726         | 250          | 33           | 118          | 16,126         | 552            |
| 8  | Coahuila               | 15,451         | 110          | 12           | 45           | 15,618         | 360            |
| 9  | Sonora                 | 14,608         | 69           | 22           | 63           | 14,762         | 296            |
| 10 | Chihuahua              | 13,883         | 119          | 9            | 61           | 14,072         | 335            |
|    | <b>Top 10</b>          | <b>447,053</b> | <b>3,757</b> | <b>1,318</b> | <b>4,746</b> | <b>456,875</b> | <b>11,862</b>  |
|    | Other Federal Entities | 145,371        | 1,613        | 254          | 702          | 147,940        | 4,064          |
|    | Accounting Records     |                |              |              |              |                | 193            |
|    | <b>Total Loans</b>     | <b>592,425</b> | <b>5,370</b> | <b>1,572</b> | <b>5,448</b> | <b>604,815</b> | <b>16,119</b>  |

\* Banorte's total loans include eliminations for (Ps 18,084)

As of 2Q17, GFNorte's performing, past due and distressed portfolios grouped by term are detailed below:

| Remaining Term     | Portfolio      |              | Distressed   |              | Total Loans    | Total Reserves |
|--------------------|----------------|--------------|--------------|--------------|----------------|----------------|
| (Million pesos)    | Performing     | Past-Due     | Performing   | Past-Due     |                |                |
| 0 - 1 years        | 85,849         | 2,369        | 224          | 3,966        | 92,408         | 6,910          |
| 1 - 5 years        | 115,436        | 1,109        | 661          | 1,130        | 118,335        | 3,009          |
| 5 - 10 years       | 92,245         | 142          | 91           | 203          | 92,681         | 622            |
| > 10 years         | 270,714        | 1,680        | 577          | 0            | 272,971        | 4,775          |
| <b>Banorte*</b>    | <b>564,244</b> | <b>5,300</b> | <b>1,553</b> | <b>5,298</b> | <b>576,395</b> | <b>15,316</b>  |
| Factoring          | 11,036         | 16           | 3            | 36           | 11,091         | 112            |
| Leasing            | 11,992         | 4            | 16           | 88           | 12,100         | 211            |
| Sólida             | 5,153          | 51           | 0            | 25           | 5,229          | 288            |
| Accounting Records |                |              |              |              |                | 193            |
| <b>Total Loans</b> | <b>592,425</b> | <b>5,370</b> | <b>1,572</b> | <b>5,448</b> | <b>604,815</b> | <b>16,119</b>  |

\* Banorte's total loans include eliminations for (Ps 18,084)

The total distressed portfolio is Ps 7,020 million. Below is the quarterly balance of loan loss provisions for this portfolio:

| Loan Loss Reserves for Distressed Portfolio<br>(Million pesos) | 2Q17         |                      |           |              |
|----------------------------------------------------------------|--------------|----------------------|-----------|--------------|
|                                                                | Banorte      | Arrendadora y Factor | Sólida    | GFNorte      |
| <b>Initial Loan Loss Provisions</b>                            | <b>3,204</b> | <b>91</b>            | <b>15</b> | <b>3,310</b> |
| Charged to results                                             | 362          | 15                   | 0         | 377          |
| Loans' write offs                                              | 103          | 0                    | 0         | 103          |
| FX changes                                                     | (1)          | 0                    | 0         | (1)          |
| Adjustments in Credit Risk                                     | 260          | 15                   | 0         | 275          |
| Other Concepts                                                 | (187)        | 0                    | 0         | (187)        |
| Received in lieu of payment                                    | 0            | 0                    | 0         | 0            |
| Write-offs, charge-offs and discounts                          | (291)        | (26)                 | 0         | (317)        |
| <b>Final Loan Loss Reserves</b>                                | <b>3,088</b> | <b>80</b>            | <b>15</b> | <b>3,183</b> |
| <b>Loan Recoveries</b>                                         | <b>54</b>    | <b>0</b>             | <b>0</b>  | <b>54</b>    |

## 2.2.2 Exposure to Financial Instruments

As of June 30, 2017, exposure to Credit Risk for Securities Investments of Banco Mercantil del Norte was Ps 274.83 billion, of which 99.3% is rated higher or similar to A+(mex) on a local scale, placing them in investment grade and the 3 main counterparties other than the Federal Government, State Governments and National Financial Institutions represent 10% of the Tier 1 Capital as of March 2017. Additionally, the exposure of investments with the same counterparty other than the Federal Government that represents a higher or similar concentration to 5% of the Net Capital as of March 2017 has higher or similar rating to AA-(mex) and is comprised of (*average considered term, amount in million pesos and average return to annualized maturity*): market and bond certificates from Pemex to 5 years and 7 months for Ps 14.9 million at 4.9%; deposit certificates from HSBC for 7 months for Ps 6.33 billion at 1.5%; and market and deposits from Bancomer for 1 year and 4 months for Ps 5.17 billion at 7.5%.

For Derivatives operations, the exposure of the 3 main counterparties other than the Federal Government, State Governments and National Financial Institutions represent 1% of the Tier 1 Capital as of March 2017

The exposure to Credit Risk for Securities Investments of Casa de Bolsa Banorte Ixe was Ps 90.789 billion, of which 100% is rated higher or similar to A+(mex) on a local scale, placing them in investment grade and the 3 main counterparties other than the Federal Government, State Governments and National Financial Institutions represent 29% of the Capital as of March 2017. Additionally, the exposure of investments with the same counterparty other than the Federal Government that represents a higher or similar concentration to 5% of the Capital as of March 2017 has a higher or similar rating to A+(mex) and are comprised of (*average considered term, amount in million pesos and average return to annualized maturity*): market certificates of CFE to 2 years and 1 month for Ps 2.01 billion at 7.8%; market certificates of PEMEX to 1 year and 11 months for Ps 1.45 billion at 7.9%; market certificates of HSBC Mexico for 1 year and 5 months for Ps 1.14 billion at 7.7%; market certificates of Banamex for 2 months for Ps 905 million at 7.4%; market certificates of Scotiabank Inverlat for 9 months for Ps 732 million at 7.5%; market certificates of Bancomer for 9 months for Ps 623 million at 7.4%; bonds of Deutsche Bank for 5 years and 11 months for Ps 547 million at 10.1%; market certificates of Banco Inbursa for 1 year and 4 months for Ps 400 at 7.5%; market certificates of Banco Interacciones for 2 years and 7 months for Ps 388 million at 7.8%; bonds of CABEI for 1 year and 6 months for Ps 159 million at 7.3%; and market certificates of Banco Monex for 1 year for Ps 144 million at 8.3%. In the case of derivatives, there are no operations.

Arrendadora y Factor Banorte had an exposure to securities for Ps 130 thousand, 100% of them are shares. In derivatives, its exposure is Ps 213 thousand with private counterparties.

Sólida Administradora de Portafolios had an exposure to securities for Ps 504 million. The 100.0% of them are shares. Its exposure to derivatives was Ps 35 million with private counterparties.

Banorte's exposure to counterparty risk from transactions with derivatives is presented below, as well as the netting effect and risk mitigation based on the aggregate of guarantees related to transactions (includes operations with Banxico. Excludes settled transactions through central counterparties).

| Position<br>(Million Pesos)                  | 2Q17           | 2Q17 Average   |
|----------------------------------------------|----------------|----------------|
| Forwards                                     | (57)           | (23)           |
| Options                                      | 61             | 36             |
| Interest Rate Swaps                          | 3,458          | 3,169          |
| Cross Currency Swap                          | (7,136)        | (7,886)        |
| <b>Total</b>                                 | <b>(3,674)</b> | <b>(4,705)</b> |
| Positive Fair Value<br>(Positive Fair Value) | 6,678          | 8,143          |
| Netting Effect*                              | 10,352         | 12,847         |
| <b>Delivered Guarantees(-) /Received(+)</b>  |                |                |
| Cash                                         | (5,954)        | (5,809)        |
| Securities                                   | 7.7            | 7.9            |
| <b>Total</b>                                 | <b>(5,946)</b> | <b>(5,801)</b> |

\* Difference between the positive fair value (not considering the net positions) and the portfolio market value.  
Operations settled in *Camara de Compensación* are not included because they have no counterparty risk.

The following table represents the current and potential levels of exposure at the end and the average of the quarter, respectively.

| (Million Pesos)          | Potential Risk |               | Current Risk   |                |
|--------------------------|----------------|---------------|----------------|----------------|
| Financial Counterparties | 2Q17           | 2Q17 Average  | 2Q17           | 2Q17 Average   |
| FWD                      | 75             | 96            | (76)           | (40)           |
| OPTIONS                  | 770            | 891           | 493            | 629            |
| INTEREST RATE SWAP       | 8,292          | 10,596        | 2,459          | 3,586          |
| CCS                      | 990            | 763           | (7,135)        | (7,880)        |
| <b>Total</b>             | <b>6,959</b>   | <b>9,168</b>  | <b>(4,258)</b> | <b>(3,704)</b> |
| Clients (Non-Financial)  | 2T17           | Promedio 2T17 | 2T17           | Promedio 2T17  |
| FWD                      | 35             | 40            | 19             | 17             |
| OPTIONS                  | 28             | 14            | (432)          | (594)          |
| INTEREST RATE SWAP       | 1,955          | 1,036         | 999            | (417)          |
| CCS                      | 21             | 16            | (1)            | (7)            |
| <b>Total</b>             | <b>1,990</b>   | <b>1,078</b>  | <b>584</b>     | <b>(1,001)</b> |

Based on conditions established in derivative agreements, tolerance levels of exposure are considered according to the rating of involved entities. The following table presents the amount of guarantees to be delivered, in case of a rating downgrade (it's worth noting that with most counterparties we've migrated to zero threshold, thus, guarantees to be delivered do not depend on credit rating but to market movements).

| Net Cash Outflows<br>(Million pesos) | 2Q17 | 2Q17 Average |
|--------------------------------------|------|--------------|
| Cash Outflow with 1-notch Downgrade  | 0    | 0            |
| Cash Outflow with 2-notch Downgrade  | 0    | 0            |
| Cash Outflow with 3-notch Downgrade  | 0    | 0            |

In the following table, the market value is detailed according to the ratings for derivatives' counterparties

| Rating<br>(Thousand pesos) | 2Q17           | 2Q17 Average   |
|----------------------------|----------------|----------------|
| AAA/AA-                    | 0              | 0              |
| A+/A-                      | (4,206)        | (3,331)        |
| BBB+/BBB-                  | (57)           | (393)          |
| BB+/BB-                    | (18)           | (691)          |
| B+/B-                      | 18             | (50)           |
| CCC/C                      | (6)            | (7)            |
| SC                         | 595            | (233)          |
| <b>Total</b>               | <b>(3,674)</b> | <b>(4,705)</b> |

## 2.3 Credit Collaterals

Collaterals represent the second credit recovery source when its coverage, through the predominant activity of the applicant, is compromised. Collaterals may be real or personal.

The main types of real collaterals are the following:

- Civil Mortgage
- Industrial Mortgage
- Regular Pledge
- Pledge w/o possession transfers
- Pledge / Pledge Bond
- Pledge Bond
- Caution Securities
- Securities Pledge
- Management and Payments Trust
- Development Funds

For assets granted in guarantee, the Company has policies and procedures to monitor and make periodic inspection visits to ensure the existence, legitimacy, value and quality of the guarantees accepted as an alternative credit support. Furthermore, when guarantees are securities, there are policies and procedures to monitor its market's valuation and require additional guarantees if needed.

The covered loan portfolio by type of collateral is as follows:

| Collateral Type<br>(Million pesos)           | 2Q17           |                           |              |                |
|----------------------------------------------|----------------|---------------------------|--------------|----------------|
|                                              | Banorte        | Arrendadora<br>y Factor** | Sólida       | GFNorte*       |
| <b>Total Loan Portfolio</b>                  | <b>594,479</b> | <b>23,191</b>             | <b>5,229</b> | <b>604,815</b> |
| Covered Loan Portfolio by type of collateral |                |                           |              |                |
| Real Financial Guarantees                    | 21,020         | 0                         | 0            | 21,020         |
| Real Non-Financial Guarantees                | 306,377        | 5,661                     | 25           | 312,063        |
| Pari Passu                                   | 19,186         | 0                         | 0            | 19,186         |
| First Losses                                 | 31,742         | 0                         | 0            | 31,742         |
| Personal Guarantees                          | 16,667         | 5,106                     | 0            | 21,773         |
| <b>Total Loan Portfolio Covered</b>          | <b>394,992</b> | <b>10,766</b>             | <b>25</b>    | <b>405,783</b> |

\*Total Loans includes eliminations for (Ps 18,084).

\*\* Excludes pure leasing

## 2.4 Expected Loss

As of June 30, 2017, Banco Mercantil del Norte's total portfolio was Ps 594.48 billion. The expected loss represents 2.2% and the unexpected loss is 4.0% with respect to the total portfolio. The average expected loss is 2.1% during the period April – June 2017.

Regarding Casa de Bolsa Banorte-Ixe, the credit exposure of investments is Ps 90.79 billion and the expected loss represents 0.02% of the exposure. The average expected loss is 0.02% between April – June 2017.

The total portfolio of Arrendadora and Factor, including pure leasing is Ps 26.25 billion. The expected loss represents 0.9% and the unexpected loss is 3.9% of the total portfolio. The average expected loss represents 0.9% during the April – June 2017 period.

The total portfolio of Sólida Administradora de Portafolios was Ps 5.23 billion. The expected loss of the portfolio represents 10.0% and the unexpected loss 12.3%, both with respect to the total portfolio. The average expected loss for the period of April - June 2017 was 9.2%.

## 2.5 Risk Diversification

In December 2005, the CNBV issued “General Dispositions Applicable to Credit Institutions regarding to Risk Diversification”. These guidelines state that the institutions must carry-out an analysis of their borrowers and/or loans to determine the amount of “Common Risk”; also, the institutions must have the necessary information and documentation to prove that the person or group of persons represent common risk in accordance with the assumptions established in those Rules.

In compliance with the risk diversification regulation in asset and liability operations, Banco Mercantil del Norte submits the following information (million pesos):

| <b>Tier 1 as of March 31, 2017</b>                                                        |  | <b>87,336</b> |
|-------------------------------------------------------------------------------------------|--|---------------|
| <b>I. Financings whose individual amounts represent more than 10% of basic equity:</b>    |  |               |
| <u>Loan Operations</u>                                                                    |  |               |
| Number of financings                                                                      |  | 0             |
| Total amount of financings                                                                |  | 0             |
| % in relation to Tier 1                                                                   |  | 0%            |
| <u>Money Market Operations</u>                                                            |  |               |
| Number of financings                                                                      |  | 0             |
| Total amount of financings                                                                |  | 0             |
| % in relation to Tier 1                                                                   |  | 0%            |
| <u>Overnight Operations</u>                                                               |  |               |
| Number of financings                                                                      |  | 1             |
| Total amount of financings                                                                |  | 9,703         |
| % in relation to Tier 1                                                                   |  | 11%           |
| <b>II. Maximum amount of financing with the 3 largest debtors and common risk groups:</b> |  | <b>41,779</b> |

In compliance with the risk diversification regulation in asset and liability operations, Leasing and Factoring (Arrendadora y Factor Banorte) submits the following information (million pesos):

| <b>Equity as of March 31, 2017</b>                                                        |  | <b>4,657</b> |
|-------------------------------------------------------------------------------------------|--|--------------|
| <b>I. Financings whose individual amounts represent more than 10% of equity:</b>          |  |              |
| <u>Loan Operations</u>                                                                    |  |              |
| Number of financings                                                                      |  | 5            |
| Total amount of financings                                                                |  | 3,478        |
| % in relation to Equity                                                                   |  | 75%          |
| <u>Money Market Operations</u>                                                            |  |              |
| Number of financings                                                                      |  | 0            |
| Total amount of financings                                                                |  | 0            |
| % in relation to Equity                                                                   |  | 0%           |
| <u>Overnight Operations</u>                                                               |  |              |
| Number of financings                                                                      |  | 0            |
| Total amount of financings                                                                |  | 0            |
| % in relation to Equity                                                                   |  | 0%           |
| <b>II. Maximum amount of financing with the 3 largest debtors and common risk groups:</b> |  | <b>4,615</b> |

In compliance with the risk diversification regulation in asset and liability operations, Sólida Administradora de Portafolios submits the following information (million pesos):

| <b>Equity as of March 31, 2017</b>                                                        |  | <b>3,419</b> |
|-------------------------------------------------------------------------------------------|--|--------------|
| <b>I. Financings whose individual amounts represent more than 10% of equity:</b>          |  |              |
| <u>Loan Operations</u>                                                                    |  |              |
| Number of financings                                                                      |  | 1            |
| Total amount of financings                                                                |  | 602          |
| % in relation to Equity                                                                   |  | 18%          |
| <u>Money Market Operations</u>                                                            |  |              |
| Number of financings                                                                      |  | 0            |
| Total amount of financings                                                                |  | 0            |
| % in relation to Equity                                                                   |  | 0%           |
| <u>Overnight Operations</u>                                                               |  |              |
| Number of financings                                                                      |  | 0            |
| Total amount of financings                                                                |  | 0            |
| % in relation to Equity                                                                   |  | 0%           |
| <b>II. Maximum amount of financing with the 3 largest debtors and common risk groups:</b> |  | <b>863</b>   |

### 3. MARKET RISK (Bank and Brokerage House)

GFNorte's objectives regarding Market Risk are:

- Comply with the Desired Profile Risk defined by the Group's Board of Directors.
- Maintain an adequate monitoring on Market Risk.
- Maintain the Senior Management adequately informed in time and form.
- Quantify exposure to Market Risk through the use of various methodologies.
- Define maximum risk levels the Institution is willing to maintain.
- Measure the Institution's vulnerability to extreme market conditions and consider such results when making decisions.

GFNorte's Market Risk Policies are:

- New products subject to market risk must be evaluated and approved through the new products' guidelines approved by the CPR.
- The Board of Directors is the entitled body to approve global limits and market risk's appetite metrics, as well as their amendments.
- The CPR is the entitled body to approve models, methodologies and specific limits, as well as their amendments.
- Market risk models will be valid by and independent area, which is different from the one that develop and manage them.
- Market risk inputs and models will be valid as per a properly approved policy by the CPR.

#### 3.1 Market Risk Methodology

Market Risk Management is controlled through a series of fundamental pillars, highlighting the use of models and methodologies such as Value at Risk (VaR), Back Testing and Stress Testing, which are used to measure the risk of traded products and portfolios in the financial markets.

Risk management is supported by a framework of policies and manuals through which the implementation and monitoring on market risk limits, the disclosure of the aforementioned risk metrics and its tracking regarding the established limits, are set.

Key risk ratios are disclosed in monthly reports to the Risk Policy Committee and through a daily report to top executives at the Institution, related to the Market Risk risk-taking.

### 3.2 Market Risk Exposure

Exposure of the Institution's financial portfolios to Market Risk is quantified using the standard methodology in the industry known as Value at Risk (VaR).

The VaR model considers a one day horizon base, and considers a non-parametric historical simulation with a 99% confidence level and 500 historical observations on risk factors. Furthermore, it considers all the positions (money market, treasury, equities, FX and derivatives for trading purposes) classified for accounting purposes as trading assets, both on and off the balance sheet.

The average VaR of the portfolio for 2Q17 was Ps 69.8 million (Ps 13 million lower than the average VaR for 4Q16).

The result shows that the Bank's potential loss will be above Ps 69.8 million in one out of a hundred days.

| <b>VaR<br/>Million Pesos</b> | <b>Average<br/>2Q17</b> |
|------------------------------|-------------------------|
| VaR Total                    | 69.8                    |
| Net Capital                  | 91,780                  |
| <b>VaR/Net Capital</b>       | <b>0.08%</b>            |

VaR by risk factor for Banorte's portfolio had the following behavior during the first quarter of the year:

| <b>Risk Factor<br/>Million Pesos</b> | <b>2Q17</b> | <b>Average<br/>2Q17</b> |
|--------------------------------------|-------------|-------------------------|
| Rates                                | 80.2        | 72.3                    |
| FX                                   | 2.0         | 15.0                    |
| Equity                               | 9.2         | 10.4                    |
| Diversification Effect               | (11.1)      | (28.0)                  |
| <b>Bank's Total VaR</b>              | <b>80.2</b> | <b>69.8</b>             |

VaR for 2Q17 was Ps 80.2 million.

VaR by risk factor is determined by simulating 500 historical scenarios to each risk factor and assessing instruments by their main risk factor. It is important to note that all positions classified as trading were considered, positions classified as held to maturity and available for sale were excluded.

The proportion by market risk factor excluding the diversification effect is:

| <b>Risk Factor</b> | <b>2Q17</b> |
|--------------------|-------------|
| Rates              | 88%         |
| FX                 | 2%          |
| Equity             | 10%         |

#### 3.2.1 Sensibility Analysis and Stress Testing under extreme conditions

Since VaR indicates the potential losses under normal market conditions, Banorte complements its risk analysis enforcing tests under extreme conditions known as Stress Testing. This is presented to the Risk Policy Committee on monthly basis with the main objective of assessing the impact on the Institution's positions of extreme movements in risk factors.

#### 3.2.2 Backtesting

In order to validate the effectiveness and accuracy of the VaR, a monthly Back testing analysis is presented to the Risk Policy Committee. Through this analysis, it is possible to compare losses and gains observed with respect to the estimated Value at Risk and if necessary make the required adjustments to the parameter.

### 3.2.3 Value at Risk Casa de Bolsa (VaR)

The average VaR of the portfolio for 2Q17 was Ps 12.6 million, +Ps 2 million lower vs. 1Q17.

The result shows that potential loss will be above Ps 12.6 million in one out of a hundred days.

| <b>VaR<br/>Million Pesos</b> | <b>Average<br/>2Q17</b> |
|------------------------------|-------------------------|
| Total VaR                    | 12.6                    |
| Net Capital                  | 2,168                   |
| <b>VaR/Net Capital</b>       | <b>0.58%</b>            |

VaR by risk factor for Casa de Bolsa Banorte Ixe portfolio had the following behavior during the second quarter of the year:

| <b>Risk Factor<br/>(Million Pesos)</b> | <b>2Q17</b> | <b>Average<br/>2Q17</b> |
|----------------------------------------|-------------|-------------------------|
| Rates                                  | 12.6        | 12.3                    |
| FX                                     | 0           | 0                       |
| Equity                                 | 0           | 0                       |
| Diversification effect                 | 0           | 0                       |
| <b>Casa de Bolsa Total VaR</b>         | <b>12.6</b> | <b>12.3</b>             |

VaR at the end of 2Q17 was Ps 12.3 million.

The VaR per risk factor is determined by simulating 500 historical scenarios and assessing instruments by their main risk factor. It is important to note that all positions that were taken into account for the analysis were those classified as trading, excluding held to maturity and available for sale positions.

Risk Market concentration factor is in domestic interest rates.

### 3.2.4 Sensitivity Analysis and Stress Testing under extreme conditions

Since VaR indicates the potential losses under normal market conditions, Casa de Bolsa Banorte-Ixe complements its risk analysis enforcing tests under extreme conditions known as Stress Testing. This is presented to the Risk Policy Committee on a monthly basis with the main objective of assessing the impact on the Institution's positions of extreme movements in risk factors

### 3.2.5 Back testing

In order to validate the effectiveness and accuracy of the VaR, a monthly Back testing analysis is presented to the Risk Policy Committee. Through this analysis it is possible to compare losses and gains observed with respect to the estimated Value at Risk and if necessary make the required adjustments to the parameter.

#### 4. BALANCE AND LIQUIDITY RISK

GFNorte's Balance and Liquidity Risk objectives are:

- Comply with the Risk Appetite defined by the Group's Board of Directors.
- Give proper monitoring of Balance and Liquidity Risk.
- Assessing through the use of different methodologies, Balance and Liquidity Risk exposure.
- Measure Institution's vulnerability to extreme market conditions and consider such results for decision making.
- Maintain Senior Management properly informed in a timely manner on Balance and Liquidity Risk exposure and on any limits' and risk profile's deviation.
- Follow-up on the institution's coverage policy and review it at least annually.
- Maintain a sufficient level of liquid assets eligible to guarantee the institution's liquidity even under stress conditions.

GFNorte's Liquidity Risk Policies are:

- Establishment of specific global limits of Balance and Liquidity Risk Management.
- Measurement and monitoring of Balance and Liquidity Risk.
- Information and disclosure of Liquidity Risk to risk-taking areas, CPR, Board of Directors, Financial Authorities and to public investors.

##### 4.1 Liquidity Risk Methodology and Exposure

Balance and Liquidity risk is managed through a series of fundamental pillars that include the use of key indicators such as the Liquidity Coverage Ratio (LCR), re-price gaps and liquidity, as well as stress testing. The latter, based on a framework of policies and manuals, including a funding contingency plan, and a contingency plan to preserve solvency and liquidity. Similarly, is enhanced with monitoring limits and Risk Appetite metrics of Balance and Liquidity Risk. The disclosure of metrics and indicators and their compliance with the established limits and the Risk Appetite are reviewed through monthly reports to the CPR, weekly reports to the capital and liquidity management group and quarterly reports to the Board of Directors.

##### 4.2 Profile and Funding Strategy

The composition and evolution of the Bank's funding during the quarter is shown in the following table:

| Funding Source<br>(Million Pesos) | 1Q17           | 2Q17           | Change vs.<br>1Q17 |
|-----------------------------------|----------------|----------------|--------------------|
| Demand Deposits                   |                |                |                    |
| Local Currency <sup>(1)</sup>     | 316,759        | 321,414        | 1.5%               |
| Foreign Currency <sup>(1)</sup>   | 51,168         | 47,896         | (6.4%)             |
| <b>Demand Deposits</b>            | <b>367,927</b> | <b>369,310</b> | <b>(0.4%)</b>      |
| Time Deposits – Retail            |                |                |                    |
| Local Currency <sup>(2)</sup>     | 159,385        | 167,253        | 4.9%               |
| Foreign Currency                  | 14,505         | 14,361         | (1.0%)             |
| <b>Core Deposits</b>              | <b>541,817</b> | <b>550,924</b> | <b>1.7%</b>        |
| Money Market                      |                |                |                    |
| Local Currency <sup>(3)</sup>     | 36,449         | 60,982         | 67.3%              |
| <b>Banking Sector Deposits</b>    | <b>578,266</b> | <b>611,906</b> | <b>5.8%</b>        |

1. Includes balance of the Global Deposits without Movement.

2. Includes eliminations among subsidiaries

3. Money Market & Time Deposits

### 4.3 Liquidity Coverage Ratio (LCR)

The LCR measures Liquidity Risk through the relationship between Liquid Assets and Net Cash Outflows in the next 30 days, under a regulatory stress scenario.

The LCR is an indicator designed to ensure that the institution has sufficient liquidity to meet its short term obligations, under an extreme scenario using exclusively high quality liquid assets as source of funding.

The following table presents the average evolution of LCR components in 2Q17.

| LCR Components<br><i>(Million Pesos)</i> |                                                                       | Bank and Sofomes               |                              |
|------------------------------------------|-----------------------------------------------------------------------|--------------------------------|------------------------------|
|                                          |                                                                       | Unweighted amount<br>(Average) | Weighted amount<br>(Average) |
| <b>COMPUTABLE LIQUID ASSETS</b>          |                                                                       |                                |                              |
| 1                                        | Total Computable Liquid Assets                                        | NA                             | 81,388                       |
| <b>CASH DISBURSEMENTS</b>                |                                                                       |                                |                              |
| 2                                        | Unsecured retail financing                                            | 339,849                        | 23,357                       |
| 3                                        | Stable financing                                                      | 212,568                        | 10,628                       |
| 4                                        | Less stable financing                                                 | 127,281                        | 12,728                       |
| 5                                        | Unsecured wholesale financing                                         | 188,997                        | 63,653                       |
| 6                                        | Operational Deposits                                                  | 122,204                        | 26,356                       |
| 7                                        | Non-Operational Deposits                                              | 64,755                         | 35,260                       |
| 8                                        | Unsecured debt                                                        | 2,038                          | 2,038                        |
| 9                                        | Secured wholesale financing                                           | 259,212                        | 19,112                       |
| 10                                       | Additional Requirements:                                              | 305,358                        | 22,288                       |
| 11                                       | Disbursements related to derivatives and other guarantee requirements | 41,253                         | 6,082                        |
| 12                                       | Disbursements related to losses from debt financing                   | -                              | -                            |
| 13                                       | Lines of credit and liquidity                                         | 264,105                        | 16,207                       |
| 14                                       | Other contractual financing obligations                               | -                              | -                            |
| 15                                       | Other contingent financing liabilities                                | -                              | -                            |
| 16                                       | <b>TOTAL CASH DISBURSEMENTS</b>                                       | <b>NA</b>                      | <b>128,411</b>               |
| <b>CASH INFLOWS</b>                      |                                                                       |                                |                              |
| 17                                       | Cash Inflows for secured operations                                   | 51,145                         | 37,289                       |
| 18                                       | Cash Inflows for unsecured operations                                 | 44,870                         | 631                          |
| 19                                       | Other Cash Inflows                                                    | 1,716                          | 1,716                        |
| 20                                       | <b>TOTAL CASH INFLOWS</b>                                             | <b>NA</b>                      | <b>39,636</b>                |
|                                          |                                                                       | <b>Adjusted amount</b>         |                              |
| 21                                       | <b>TOTAL COMPUTABLE LIQUID ASSETS</b>                                 | <b>NA</b>                      | <b>81,388</b>                |
| 22                                       | <b>TOTAL NET CASH DISBURSEMENTS</b>                                   | <b>NA</b>                      | <b>88,775</b>                |
| 23                                       | <b>LIQUID COVERAGE RATIO</b>                                          | <b>NA</b>                      | <b>91.48%</b>                |

During 2Q17, the average LCR for the Bank and Sofomes was 91.48%, and at the end of 2Q17 the LCR was 92.64% the aforementioned levels are above the Risk Appetite and the regulatory minimum standards.

These results show that Banorte can meet all of its short-term obligations in a crisis scenario<sup>1</sup>.

#### 4.4 Evolution of LCR Components

The evolution of the LCR components comparing 1Q17 and 2Q17 is presented in the following table:

| LCR Component<br>(Million Pesos) | 1Q17    | 2Q17    | Var. vs.<br>1Q17 |
|----------------------------------|---------|---------|------------------|
| Liquid Assets                    | 79,695  | 76,634  | (3.8%)           |
| Cash Inflows                     | 42,281  | 39,965  | (5.5%)           |
| Cash Outflows                    | 121,179 | 122,686 | 1.2%             |

The Liquid Assets that compute in the LCRs for the Bank and Sofomes between 1Q17 and 2Q17 are distributed as follows:

| Type of Asset<br>(Million Pesos) | 1Q17          | 2Q17          | Var. vs. 1Q17 |
|----------------------------------|---------------|---------------|---------------|
| <b>Total</b>                     | <b>79,695</b> | <b>76,634</b> | <b>(3.8%)</b> |
| Level I                          | 71,449        | 68,376        | (4.3%)        |
| Level II                         | 8,246         | 8,258         | 0.1%          |
| Level II A                       | 6,909         | 6,836         | (1.1%)        |
| Level II B                       | 1,337         | 1,422         | 6.4%          |

Liquid assets declined in the quarter closing comparison in 1Q17 and 2Q17. The decrease in Level II Assets

#### 4.5 LCR Result's Main Causes

Variations in the LCR between 1Q17 and 2Q17 are mainly due to the decrease in available liquidity accounts without operational purpose and delivered call money and, in a lesser extent, by Level 1 liquid assets.

#### 4.6 Liquidity Risk in foreign currency

For Liquidity Risk quantification and monitoring, in the specific case of the foreign currency denominated portfolio, Banorte uses the criteria established by Banco de México for the assessment of the foreign currency Liquidity Coefficient.

The Liquidity Coefficient in foreign currencies should be interpreted as the ability of the institution to meet its liquidity mismatches with liquid assets, both in foreign currency.

<sup>1</sup> The Liquidity Coverage Ratio information is preliminary and is subject to Banco de Mexico's affirmation.

#### 4.7 Exposure to Derivatives and possible Margin calls

Banorte applies the regulatory methodology to determine cash outflows for derivatives. At the end of 2Q17, estimated outflows for derivatives were as follows:

| Derivatives Cash Outflows<br>(Million Pesos)                        | 1Q17  | 2Q17  | Var. vs.<br>1Q17 |
|---------------------------------------------------------------------|-------|-------|------------------|
| Net cash outflows at market value and for potential future exposure | 5,164 | 4,253 | (17.6%)          |
| Cash outflows for a 3 notch credit rating downgrade.                | 0     | 0     | 0%               |

The former measurement shows that potential outflows for derivatives may represent a liquidity requirement up to Ps 4.25 billion, less than 1Q17 derived from the Look Back Approach methodology implemented and published by the CNBV.

#### 4.8 Liquidity Gaps

As part of the liquidity analysis for the Bank, 30 days liquidity gaps for the Institution's assets and liabilities (obligations) are analyzed. Results for the Bank at the end of 2Q17 are presented in the following table.

| Concept<br>(Million Pesos) | 1Q17     | 2Q17     | Var. vs.<br>4Q17 |
|----------------------------|----------|----------|------------------|
| Cumulative 30 day Gap      | (35,186) | (56,948) | 61.8%            |
| Liquid Assets              | 62,128   | 58,095   | (6.5%)           |

Mismatch among inflows and outflows (gaps) for the next 30 days are covered with liquid assets. In addition, a more granular breakdown of the liquidity gaps is presented, remaining as follows for 2Q17:

| Concept<br>(Million pesos) | 1 day    | 7 days   | 1 month  | 3 months | 6 months | 12 months |
|----------------------------|----------|----------|----------|----------|----------|-----------|
| Natural Gap                | (10,903) | (25,212) | (20,833) | (11,783) | (7,511)  | 6,802     |
| Accumulated Gap            | (10,903) | (36,116) | (56,948) | (68,731) | (76,243) | (69,441)  |

#### 4.9 Stress Testing under liquidity extreme conditions

As part of its Liquidity Risk management, Banorte performs tests under extreme liquidity circumstances with internal scenarios, to assess the Bank's liquidity adequacy under adverse conditions from the environment as well as by the bank's intrinsic conditions. A total of 9 scenarios, based on 3 sources of risk (systemic, idiosyncratic and combined) with 3 levels of severity (moderate, medium and severe) are used.

#### 4.10 Contingency Funding Plan

In order to comply with comprehensive liquidity management practices, and to ensure its operation in adverse situations in terms of Liquidity, Banorte has implemented a contingency funding plan, which incorporates elements to identify possible liquidity problems and defines alternate funding sources available to deal with contingencies.

#### 4.11 Balancec Risk

The structural risk in the balance sheet or interest rate is managed using tools such as the sensitivity analysis to changes in domestic, foreign and real rates, obtaining the impact thereof on the net interest margin. In the sensitivity analysis, it is included assumptions on deposits according to a model of stability

As part of the rate risk mitigation actions, the Institution has policies and limits for portfolio hedging at a fixed rate. The compliance of the above is reported to the CPR on a monthly basis.

In the table below, the effect on net interest income of a movement of 100 basis points over the rates is shown, which considers available for sale, that as of 2Q17 amounted to Ps 110.75 billion and in average during 2Q17 to Ps 108.43 billion.

| (Million Pesos)    | 1Q17 | 2Q17 | Var. vs.<br>1Q17 |
|--------------------|------|------|------------------|
| Margin Sensitivity | 755  | 707  | (6.4%)           |

#### 4.12 Subsidiaries

Balance and Liquidity Risk Management processes for the Bank and its Sofomes are centralized in GFNorte's Credit and Risk Management General Direction. To monitor Sofomes' liquidity, an analysis of the balance sheet structural behavior is conducted, as well as funding diversification. Furthermore, a liquidity gap analysis is performed. Specifically for the Brokerage House, regulatory liquidity requirements are monitored.

The following table shows the composition of the gap indicators for the Bank's subsidiaries and Sofomes at the end of 2Q17.

| Liquidity Ratio<br>(Million Pesos) | Casa de<br>Bolsa<br>Banorte Ixe | Arrendadora y<br>Factor | Sólida  |
|------------------------------------|---------------------------------|-------------------------|---------|
| Cumulative 30 days Gap             | 1,400                           | (1,158)                 | (5,124) |
| Liquid assets                      | 1,829                           | 52                      | 47      |

### 5. OPERATIONAL RISK

GFNorte has a formal Operational Risk department headed by the "Deputy Managing Director of Financial and Operational Risk", reporting directly to the Chief Risk Officer.

Operational Risk is defined as the potential loss due to failures or deficiencies in internal controls, errors in operation processing and storing or in data transmitting, as well as to adverse administrative and judicial rulings, fraud or theft (this definition includes Technological and Legal Risk).

The objectives of Operational Risk Management are: a) Enable and support the organization to reach its institutional objectives through prevention and management of operational risks; b) To ensure that the existing operational risks and the required controls are properly identified, assessed and in line with the risk strategy established by the organization; and c) To ensure that operational risks are properly quantified in order to adequately allocate capital per Operational Risk.

#### 5.1 Policies, Objectives and Guidelines

As part of the Institutional regulations, there are documented policies, objectives, guidelines, methodologies and responsible areas in Operating Risk management.

The Operational Risk Management Directors maintains close communication and coordination with the Regulatory Comptrollership in order to facilitate effective Internal Control in which proper procedures and controls are established for mitigating Operating Risk among the processes, and provide monitoring through the Internal Audit Department.

The Regulatory Comptrollership, as part of the Internal Control System, carries out the following activities to mitigate risk: a) Internal control validations; b) Institutional regulations management and control; c) Monitoring of operating processes' internal control by means of control indicators reports, that are reported by the process comptrollers in the various areas; d) Money Laundering Prevention process management; e) Control and monitoring of the regulatory provisions; and f) Analysis and assessment of the operating processes and projects with the participation of the responsible Directors of each process in order to ensure adequate internal control.

## 5.2 Quantitative and Qualitative Measuring Tools

### 5.2.1 Operational Losses Database

In order to record operating loss events, the Institution owns a system that enables, the central information supplier areas, to directly record such events online, which are classified by Type of Event in accordance with the following categories:

Internal Fraud: Losses derived from a type of action intended to defraud; unlawfully assets appropriation; or sidestep regulations, laws or company policies (excluding diversity/discrimination events) in which at least one company party is involved.

External Fraud: Losses derived from a type of action intended to defraud; unlawfully assets appropriation; or sidestep the laws, caused by a third party.

Labor Relations and Safety in the Workplace: Losses caused by acts incompatible with the legislation or labor agreements regarding hygiene or safety, the payment of personal damage claims, or cases associated with diversity/discrimination.

Customers, Products & Business Practices: Losses caused by involuntary noncompliance or negligence of a professional obligation to specific customers (including fiduciary and adjustment requirements), or due to the nature or design of a product.

Natural Disasters and Other Events: Losses caused by damage or harm to material assets as a consequence of natural disasters or other events.

Incidences in the Business and Systems Failures: Losses caused by incidences in the business and systems failures.

Process Execution, Delivery and Management: Losses caused by errors in operations processing or management, as well as relations with commercial counterparties and suppliers.

This historical Database provides the statistics of the operational events in which the institution has incurred to determine their trends, frequency, impact and distribution. Moreover, the Database will enable, in the future, to own enough information to estimate capital requirements as per Advances Models.

### 5.2.2 Legal and Fiscal Contingencies Database

For recording and monitoring legal, administrative and tax issues that may arise from adverse ruling, an internal system called "Legal Risk Issues Monitoring System" (SMARL by its acronym in Spanish) was developed. This system enables the central data supplying areas to record such events directly and on-line, which are then classified by company, sector and legal issue, among others.

As part of GFNorte's Legal Risk Management, legal and fiscal contingencies are estimated by the attorneys that process the cases, determining its risk level based on an internal methodology. This allows to constitute necessary reserves in a determined term (according to lawsuit's term) to face such Contingencies.

## 5.3 Risk Management Model

GFNorte has defined objectives, which are achieved through different plans, programs and projects. Compliance with such objectives may be adversely affected due to operating risks, therefore it is imperative to provide a methodology for managing them within the organization. Consequently, Operating Risk Management is now an institutional policy defined and supported by senior management.

To perform Operating Risk Management, each of the operating risks involved in the processes must be identified in order to analyze them. In this regard, the risks identified by the Regulatory Comptrollership with the support of Process Comptrollership, are processed in order to eliminate or mitigate them (seeking to reduce their severity or frequency) and if the case, defining tolerance levels. Currently, work is being done on developing a new Institution Operating Risk Management Model and the technological tools needed to implement it.

#### 5.4. Required Capital Calculation

In accordance with the current Capitalization for Operational Risk Regulations, the Institution has adopted the Alternative Basic Model, which is estimated and reported periodically to the authorities.

#### 5.5. Information and Reporting

The information generated by the Database and the Management Model is processed periodically to report to the Risk Policies Committee and the Board of Directors regarding the main operating events that were detected, the trends, identified risks and their mitigating strategies. Reporting is also done regarding the status of the main Operating Risk mitigation initiatives implemented by the various areas of the organization.

#### 5.6 Technological Risk

Technological Risk is defined as all potential losses from damage, interruption, alteration or failures derived from the use of or dependence on hardware, software, systems, applications, networks and any other information distribution channel in the rendering of banking services to the customers. This risk forms an inherent part of Operating Risk, which is why its management is handled collectively throughout the entire organization.

To address the Operating Risk associated with information integrity, and "Integrity Committee" has been created. Its objectives are to align security and information control efforts under a prevention focus, to define new strategies, policies, processes or procedures and to provide solutions to information security issues that affect or may affect the Institutional patrimony.

The functions established by the CNBV for Technology Risk Management are performed by the Institution under regulatory and Integrity Committee guidelines.

To address the Operating Risk caused by high impact external events, GFNorte has a Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) based on a same-time data replication system at an alternate computer site. All the above, covers the backup and recovery of the Institution's critical applications in the event of any relevant operating contingency.

#### 5.7 Legal risk

Legal Risk is defined as the potential loss from failure to comply with the applicable legal and administrative provisions, the issuance of indisputable unfavorable court rulings and the application of penalties regarding the operations that the institution performs.

The Legal Risk must be measured as an inherent part of Operating Risk in order to understand and estimate its impact. Therefore, those legal issues which result in actual operating losses of the SMARL system are later recorded in the SCERO a database of operational events.

Based on the statistics of the current legal issues and real loss events, the Institution can identify specific legal or operating risks, which are analyzed in order to eliminate or mitigate them in an attempt to reduce or limit their future occurrence or impact.

### 6. SECURITIZATIONS EXECUTED BY GFNORTE

The main objective of the securitization operations carried out by the Group, is to transfer risks and benefits of certain financial assets to third parties.

GFNorte has accomplished the following securitizations:

- On October 11<sup>th</sup>, 2006, Fincasa Hipotecaria (Fincasa), now merged with Banorte, held the irrevocable trust for the issuance of market certificates No. 563, issuer code FCASACB, whose underlying assets are mortgages originated and transferred by Fincasa.
- On December 13<sup>th</sup>, 2006, Banorte held the irrevocable trust for the issuance of market certificates No. 583, issuer code BNORCB, whose underlying assets are mortgages originated and transferred by Banorte.

- On November 5<sup>th</sup>, 2007, Banorte held the irrevocable trust for the issuance of market certificates No. 477, issuer code BNTECB, whose underlying assets are loans originated and transferred by Banorte to federal entities, states and municipalities, as well as trusts in which any of such entities act as trustees.

In accordance with criterion C-1 *Recognition and Disposal of Financial Assets*, these assets were written off from the Institution's balance sheet as a sale, given that conditions for the risk's and benefit's transfer inherent in the ownership of the financial assets were met. The Institution is not responsible for assumed or retained risks with respect to trust assets, its sole responsibility is the fulfilment of its obligations in the trust agreement and administration contract.

The Institution is responsible that each of the assigned loans meets the eligibility criteria, at the time of their respective assignment. If the trust, the common representative, the financial guarantor, identify any non-eligible loans, they may require Banorte to replace such loan or if replacement is not possible, to make payment for the "non-replaced ineligible loan" in question. If Banorte identifies any non-eligible loan, it must notify and replace or make the corresponding payment.

Particularly in Trust 477, operations with derivatives are carried out, specifically swaps, in order to reduce exposure to exchange rate and interest rate risks. The Institution assumes the counterparty risk generated by these operations, however these operations are only carried out with institutions of recognized solvency. The Trust's policy is to only carry out derivative instrument operations for the sole purpose of coverage, never for speculation.

The Institution's Board of Directors has no pre-determined policies for the issuance of securitizations, authorization for any new issuance must be requested.

The Institution does not participate in securitizations of third party positions.

There are several risk factors for securitizations that may affect trusts. If these risks materialize, payment to market certificates' holders could be adversely affected. The main risks which these financial instruments are exposed to are credit, market, liquidity and operational risk, which have been detailed in previous sections.

To monitor the quality of Credit Risk exposure of financial instruments arising from securitized assets, the Institution estimates expected loss within one-year time horizon. Likewise, in order to monitor exposure to market risk, the value at risk is calculated with a one-day time horizon and a 99% confidence level, for these instruments.

Banco Mercantil del Norte is the settlor and trustee of trusts for the securitizations carried out. At the same time it acts as underwriter on each issue, offering bonds to investors. Additionally, the Institution also carries out the duties of administrator in each of the trusts.

On the other hand, the Institution also acts as an investor by acquiring titles of market certificates issued by the trusts set up for securitizations. By June 30, 2017 Grupo Financiero Banorte had the following position in securities and securitization amounts carried out by the same Institution:

| Securitization<br>(Million pesos) | Banorte    |        | Insurance  |        | Total GFNorte |        |
|-----------------------------------|------------|--------|------------|--------|---------------|--------|
|                                   | Securities | Amount | Securities | Amount | Securities    | Amount |
| 91_BNTECB_07                      | 50,763,776 | 2,047  | 500,000    | 20     | 51,263,776    | 2,067  |
| 91_BNTECB_07-2                    | 563,059    | 19     | -          | -      | 563,059       | 19     |
| 97_BNORCB_06                      | 4,938,137  | 15     | 500,000    | 1      | 5,438,137     | 16     |
| 97_BNORCB_06-2                    | 576,011    | 3      | -          | -      | 576,011       | 3      |
| 97_FCASACB_06U                    | -          | -      | -          | -      | -             | -      |

The following shows the proportion of securities held by Grupo Financiero Banorte, in relation to the total issued for each series:

| Securitization<br>(Million pesos) | Issued Securities | Banorte | Insurance | Total GFNorte | Total Clients |
|-----------------------------------|-------------------|---------|-----------|---------------|---------------|
| 91_BNTECB_07                      | 52,313,776        | 97.0%   | 1.0%      | 98.0%         | 2.0%          |
| 91_BNTECB_07-2                    | 1,113,059         | 50.6%   | 0.0%      | 50.6%         | 49.4%         |
| 97_BNORCB_06                      | 19,853,820        | 24.9%   | 2.5%      | 27.4%         | 72.6%         |
| 97_BNORCB_06-2                    | 620,431           | 92.8%   | 0.0%      | 92.8%         | 7.2%          |
| 97_FCASACB_06U                    | 1,351,386         | 0.0%    | 0.0%      | 0.0%          | 100.0%        |

Ratings assigned by each rating agency at the end of the quarter for each market certificate issued by the aforementioned trusts are as follows:

| Securitization | Standard & Poor's |        | Fitch Ratings |        | Moody's |        | HR Ratings |        |
|----------------|-------------------|--------|---------------|--------|---------|--------|------------|--------|
|                | Local             | Global | Local         | Global | Local   | Global | Local      | Global |
| 91_BNTECB_07   |                   |        |               |        | Aa2.mx  | Baa2   | HR AA+     |        |
| 91_BNTECB_07-2 |                   |        |               |        | A3.mx   | Ba3    | HR AA      |        |
| 97_BNORCB_06   | mxAAA             |        | AAA (mex)     |        | Aaa.mx  | A3     |            |        |
| 97_BNORCB_06-2 | mxAA              |        | AA- (mex)     |        |         |        |            |        |
| 97_FCASACB_06U | mxAA              |        | A(mex)        |        |         |        |            |        |

As of June 30, 2017 the amounts of the underlying assets of each securitization were:

| Securitization<br>(Million pesos) | Amount     |          |         |
|-----------------------------------|------------|----------|---------|
|                                   | Performing | Past-Due | Total   |
| 91_BNTECB_07                      | \$2,860    | \$0      | \$2,860 |
| 91_BNTECB_07-2                    |            | -        |         |
| 97_BNORCB_06                      | \$103      | \$88     | \$191   |
| 97_BNORCB_06-2                    |            |          |         |
| 97_FCASACB_06U                    | \$126      | \$139    | \$265   |

There are no impaired assets in trust 477.

Securitization exposure broken down by Credit Risk Weight is shown below:

| Concept<br>(Million Pesos)                                        | Balance | Capital Requirement |
|-------------------------------------------------------------------|---------|---------------------|
| Securitized with Risk Level 1 (weighted 20%)                      | 15      | 0                   |
| Securitized with Risk Level 2 (weighted 50%)                      | 2,066   | 83                  |
| Securitized with Risk Level 3 (weighted 100%)                     | 3       | 0                   |
| Securitized with Risk Level 4 (weighted 350%)                     | 0       | 0                   |
| Securitized with Risk Level 4, 5, 6 or not rated (weighted 1250%) | 0       | 0                   |

\*Excludes the position in Seguros Banorte

No securitization position is registered in memorandum accounts and no maintained securitization position is deducted from basic capital.

Securitizations trusts 563, 583 and 477 consider early amortization provisions. The institution has not made revolving securitizations or resecuritizations operations during the quarter.

There are no significant changes vs. figures in the prior quarter.

## 6.1 Applied Accounting Policies

All securitization operations carried out by the Institution were recognized as sales in accordance with criterion C-1 *Recognition and Disposal of Financial Assets*. This is because, despite retaining the contractual rights to receive cash flows from financial assets, a contractual obligation is assumed to pay such cash flows to a third party. In addition, an analysis of the transfer of these assets concluded that the entity substantially transfers all the risks and benefits inherent with ownership of the financial assets. Registration of profits from sales conforms to the provisions in paragraph 31 of criterion C-1, which states:

- Eliminate transferred financial assets at the last book value;
- Recognition for the consideration received in the operation;

- c) Recognition of profit or loss in the income statement, for the difference between the book value of eliminated financial assets, and the sum of (i) compensation received (recognized at fair value) and (ii) the effect (gain or loss) by cumulative valuation recognized in equity.

The BORHIS and GEM Trusts issued certificates in favor of the institution, as holders of rights in last place under the trust agreement. These certificates provide the right to receive a percentage of the distributions and in general to the corresponding proportions of the remnant that may be in the trust after full payment of the bonds. Valuation of the certificates is based on the method of net present value of remaining cash flows expected over the lifespan of the securitization. Remaining cash flows, depending on the type of securitization, are determined as follows:

- a) BORHIS: the sum of the cash flow to receive from the securitized loan portfolio, less the cash flow to pay off the market certificates, less the monthly administration expenses plus the income from sales of foreclosed properties, if the case.
- b) GEM: the sum of the cash flow to receive from the securitized loan portfolio, less the cash flow to pay off the stock certificates, less expenses for Administration, plus or less the change in the reserve's interests.

Remaining flows are discounted with the B1 banking curve, which takes into consideration the trust's Credit Risk. The most important assumptions in the valuation of the certificates are the following:

- a) Non-compliance rate: cash flows to be received from loan portfolios are adjusted by a determined percentage of the outstanding portfolio amount that is estimated to fall into non-compliance. That percentage is estimated using historical performance information of this portfolio. This percentage is applied to flows greater than 12 months.
- b) Prepayment rate: cash flows to be received from the loan portfolio are adjusted by a determined percentage of the outstanding portfolio amount estimated to be prepaid. That percentage is estimated using historical performance information of this portfolio.
- c) Portfolio term: is estimated using WAM (*Weighted Average Maturity*) of the securitized portfolio.
- d) Portfolio interest rate: is estimated using WAC (*Weighted Average Coupon*) of the securitized portfolio.
- e) Portfolio payment dates: loan portfolio payment dates are considered to be the same as those of the stock certificates.
- f) Reserve to be rated: the current value of the remaining flows is reduced by the amount of the reserve to be rated. This reserve corresponds to the non-compliance risk for cash flows in the first 12 months.
- g) General account: the current value of the remaining flows are added to the amount of cash or cash equivalents deposited in the general account, collection account and if the case, in the expense reserve account, in case of total payment of the stock certificates, these assets would be distributed to the certificate holders.
- h) General terms of stock certificates: estimated to be in accordance with prices published by Valmer.

Regarding the policies for recognizing obligations in balance sheet of the agreements that may require financial support from the Institution in case of asset's securitization: all amounts due under the stock certificates of the different existing securitizations, will be charged to the trust estate. If, for any reason, the liquid assets of the trust net worth are not sufficient to ensure payment of the amounts due under the stock certificates, holders will not have the right to claim payment from the Institution, the Trust, the common representative, the placement agent, the guarantor or guarantors in the case, or anyone else. The stock certificates have not been guaranteed or endorsed by any of the persons involved in the issuance thereof, therefore none of them are obligated to make payments to the certificate holders, with the exception, in the case of a trust, where payments may be charged to the trust in accordance with the trust agreement.

## 7. POSITION IN SHARES:

At the end of June 2017, Banco Mercantil del Norte held shares amounting to Ps 4.47 billion, with gains of Ps 269 million.

During the second quarter, accumulated profits from sales and settlements were Ps 34 million.

For the purpose of estimating Capital Ratio, only Ps 124 million were deducted for the calculation of the Core Tier 1. For negotiable securities, the capital requirement for Market Risk was Ps 23 million. For securities available for sale, the capital requirement for Market Risk was Ps 120 million and for Credit Risk Ps 200 million.

| Institution  | Type of Trading    | Accounting Classification     | Capitalization Treatment                        | Market Value 2Q17 | Gains / Losses 2Q17 | Acumm.. Profit / Loss 1Q17-2Q17 |
|--------------|--------------------|-------------------------------|-------------------------------------------------|-------------------|---------------------|---------------------------------|
| Banorte      | Public             | Negotiable Securities         | Subject to Market Risk Requirement              | 646               | 104                 | (3)                             |
| Banorte      | w/o Public trading | Securities Available for Sale | Subject to Market and Credit Risks Requirements | 3,545             | 54                  | 38                              |
| Banorte      | Public             | Securities Available for Sale | Subject to Market and Credit Risks Requirements | 32                | (28)                | 0                               |
| Banorte      | Public             | Securities Available for Sale | Subject to Core Tier 1 deduction                | 124               | 30                  | 0                               |
| Banorte      | Public             | Securities Available for Sale | Subject to Credit Risk Requirement              | 125               | 109                 | 0                               |
| <b>Total</b> |                    |                               |                                                 | <b>4,472</b>      | <b>269</b>          | <b>34</b>                       |

In June 2017, net equity instruments in Casa de Bolsa Banorte - Ixe, amounted to Ps 450 million with a positive valuation of Ps 216 million.

During the quarter, profits were recorded for Ps 0.14 million from sales and settlements.

For the purpose of estimating Capitalization Ratio, investments that are deducted from the Net Capital are not included. For securities available for sale, the capital requirement for Market risk was Ps 3 million.

| Institution               | Type of Trading    | Accounting Classification     | Capitalization Treatment                        | Market Value 2Q17 | Gains / Losses 2Q17 | Acumm. Profit / Loss 1Q17-2Q17 |
|---------------------------|--------------------|-------------------------------|-------------------------------------------------|-------------------|---------------------|--------------------------------|
| Casa de Bolsa Banorte-Ixe | Public             | Negotiable Securities         | Subject to Market Risk Requirement              | 450               | 216                 | 0.14                           |
| Casa de Bolsa Banorte-Ixe | w/o public trading | Securities Available for Sale | Subject to Market and Credit Risks Requirements | 0                 | 0                   | 0                              |
| Casa de Bolsa Banorte-Ixe | Public             | Securities Available for Sale | Subject to Market and Credit Risks Requirements | 0                 | 0                   | 0                              |
| Casa de Bolsa Banorte-Ixe | Public             | Securities Available for Sale | Subject to Core Tier 1 deduction                | 0                 | 0                   | 0                              |
| Casa de Bolsa Banorte-Ixe | Public             | Securities Available for Sale | Subject to Credit Risk Requirement              | 0                 | 0                   | 0                              |
| <b>Total</b>              |                    |                               |                                                 | <b>450</b>        | <b>216</b>          | <b>0.14</b>                    |

## Internal Control

The companies comprising GFNorte have an Internal Control System (SCI) structured according to the guidelines set forth by their Board of Directors, which establishes a general internal control framework, as well as the environment in which it must operate in order to provide reasonable security regarding the effective and efficient performance of operations, reliability of financial statements and compliance of regulation and legal framework.

The SCI's mission is to help running an adequate internal control in the operations and in data generating and recording. The system is made up of various elements:

- A. The Board of Directors with the support of the Advisory Board, Risk Policies Committee (CPR), Audit and Corporate Practices Committee (CAPS) and Human Resources Committee.
- B. GFNorte's CEO and the departments which support him: Risk Management Unit (RMU), Legal Department and the Comptroller, responsible for ensuring that adequate control levels, operational risks and compliance with regulation are maintained.
- C. Internal Audit, External Audit and the Commissary (The Commissary applies only to GFNorte subsidiaries) as additional support structures to check how the Internal Control System functions and provide reasonable assurance regarding the reliability of the generated data. The Internal Audit Department reports to the Audit and Corporate Practices Committee (CAPS) and maintains full independence from the administrative areas.
- D. The Executive Group as main responsible persons for SCI assurance according to the functions and responsibilities assigned to them. In addition to promoting the enforcement of the regulations established for the Institution and the strategies set forth by the GFNorte's CEO.
- E. Documents that establish the general control criteria that should be followed in the operation and reporting of transactions; in optimizing human, material and technological resources; in the use, security, timeliness and reliability of the information; and in the due compliance with the external and internal regulations. Within these documents, the Code of Conduct stands out as it regulates the behavior that each Board member, officer or employee of the Group should maintain while performing their activities.
- F. Policy and procedure manuals that regulate documentation, recording and liquidation of operations that the Institution carries out and establish the control points that should be observed, assuring the separation of functions, clear assigning of responsibilities, safekeeping of information and prevention of unlawful acts.

During the second quarter of 2017, activities related to strengthening control, risk evaluation and management, establishment and monitoring of controls, and assurance of quality information continued to be developed; highlighting the following:

- A. The various Corporate Governance Committees have had the required financial, economic, accounting and/or legal information for proper decision-making.
- B. The policies and procedure manuals have been updated as per changes in external regulations, new products, and changes in the Institution's processes or improvements to internal controls.
- C. There has been continuous follow-up of the improvement actions regarding the observations made by the different members of the SCI.
- D. The Supervisory Authorities' requirements have been addressed and the information required by the external regulations has been submitted.
- E. Through Process and Management Controllers, various business and support processes that make up the operation in GFNorte are monitored, to report periodically on compliance and identifying where areas of opportunity for timely remediation.
- F. During the quarter and according to the work plan developed at the beginning of the year, various activities in terms of accounting internal control were carried out.
- G. Requests regarding internal control subjects from diverse internal departments were handled, to the development of new institutional projects, as well as those derived from changes to the Regulation.

## FINANCIAL SITUATION AND LIQUIDITY

### Internal and External Liquidity Sources

The internal liquidity sources, in local and foreign currency, come from the various deposit products that the institution offers to customers.

Regarding external sources of liquidity, it has diverse mechanisms to access the debt and capital markets. The Institution obtains resources through the issuance of debt securities, loans from other institutions - including the Central Bank and international organisms -, as well as from the issuance of subordinated debt. Also considered is the liquidity that the Institution obtains through its proprietary repos' securities that qualify for such transactions. It also has the alternative of obtaining resources through the issuance of shares representing equity.

Currently, the Institution has diverse sources of liquidity. Deposits, including interest bearing and non-interest bearing demand and time deposits, are the bank's main source of liquidity. Negotiable and short term instruments, such as government securities and deposits in the Central Bank and other banks, are liquid assets that generate interest. Liquid assets also include deposits in foreign banks, which are denominated mainly in US dollars.

Detailed information related to liquidity sources is reported in different headings of the GFNorte's Balance Sheet in this report

### Dividend Policy

GFNorte's Ordinary General Shareholders' Meeting held on November 19th, 2015, approved to modify the Dividend Policy, which was effective since October 2011.

As of November 2015, the Policy establishes that the dividend payment can be between 16% and up to 40% of the net income of the prior year.

- For reference, the former Policy which decreed dividends established a payment between 16% and 20% of the recurring net income depending on its annual growth.

### Related Parties Loans

According to Article 73 of the Law of Credit Institutions, loans granted to related parties of credit institutions cannot exceed the established limit of 35% of the basic portion of net capital.

In the case of GFNorte as of June 30 and March 31, 2017, the amount of loans granted to third parties is as follows (million pesos):

| <b>Lender</b> | <b>June-2017</b> | <b>% Basic Equity</b> | <b>Mar-2017</b> | <b>% Basic Equity</b> |
|---------------|------------------|-----------------------|-----------------|-----------------------|
| Banorte       | Ps 14.35         | 16.4%                 | Ps 10.04        | 12.3%                 |

The loans granted are under the 100% limit set forth by the LIC.

#### **Banorte.**

As of **June 30, 2017**, total loans granted to related parties, under Article 73 of the Law of Credit Institutions, was Ps 14.35 billion (including Ps 4.80 billion in — Letters of Credit "CC", which are registered in memorandum accounts), representing 2.4% of Banorte's total loan portfolio (excluding the balance of CC). Of the total related loans balance, Ps 11.47 billion were loans granted to clients linked to members of the Board of Directors; Ps 1.77 billion were granted to clients linked to shareholders and Ps 1.12 billion were linked to companies related to GFNorte.

In accordance with Article 73 of the Law for Credit Institutions, the balance of GFNorte's loan portfolio for individuals and corporations at the end of June 2017 was 16.4% of the basic part of the equity.

Related party loans have been granted under market conditions and rated in accordance with the policies, procedures and rating systems applicable to the rest of GFNorte's loan portfolio based on the general dispositions applicable to credit institutions with regard to rating of loan portfolios issued by CNBV. 96% of the related party loans are rated in Category "A", and the majority of these loans were classified as commercial loans.

As of **March 31, 2017**, total loans granted to related parties, under Article 73 of the Law of Credit Institutions, was Ps 10.04 billion (including Ps 993 million in — Letter of Credit “CC”, which are registered in memorandum accounts), representing 1.8% of Banorte's total loan portfolio (excluding the balance of CC). Of the total related loans balance, Ps 8.08 billion were loans granted to clients linked to members of the Board of Directors; Ps 987 million were granted to clients linked to shareholders and Ps 975 million were linked to companies related to GFNorte.

In accordance with Article 73 of the Law for Credit Institutions, the balance of GFNorte's loan portfolio for individuals and corporations at the end of March 2017 was 12.3% of the basic part of the equity.

Related party loans have been granted under market conditions and rated in accordance with the policies, procedures and rating systems applicable to the rest of GFNorte's loan portfolio based on the general dispositions applicable to credit institutions with regard to rating of loan portfolios issued by CNBV. 96% of the related party loans are rated in Category “A”, and the majority of these loans were classified as commercial loans.

## Loan or tax liabilities

The tax credits listed below are currently in litigation:

|                                                                           | As of June 30, 2017 |
|---------------------------------------------------------------------------|---------------------|
| <b>AFORE XXI BANORTE</b>                                                  | <b>\$2</b>          |
| Loan # 4429309391 Payroll Tax of the state of Coahuila                    | 2                   |
| <b>UNITELLER</b>                                                          | <b>\$5</b>          |
| Philippines 2007 - 2008                                                   | 5                   |
| <b>CASA DE BOLSA BANORTE IXE</b>                                          | <b>\$33</b>         |
| Fiscal credit review - year 2007 (document 900 06 05-2010-03968)          | 33                  |
| <b>IXE BANCO</b>                                                          | <b>\$13</b>         |
| Income Tax-Profit Sharing for the 2005 fiscal year – inflation adjustment | 13                  |
| Million pesos                                                             |                     |

## People in Charge

The undersigned represent under oath that, within the scope of our respective functions, we have drawn up the information relative to Grupo Financiero Banorte contained in this report, which, to the best of our knowledge, reasonably reflects its situation. Furthermore, we express that we are not aware that relevant information has been omitted or falsified in this quarterly report or that it contains information that may lead to errors to investors.

Act. Jose Marcos Ramirez Miguel  
Chief Executive Officer of Grupo Financiero Banorte, S.A.B. de C.V.

Eng. Rafael Arana de la Garza  
Chief Operating Officer & Chief Financial Officer

C.P. Isaias Velazquez Gonzalez  
Managing Director of Internal Audit

Lic. Jorge Eduardo Vega Camargo  
Deputy Managing Director of Comptrollership

C.P.C. Mayra Nelly Lopez Lopez  
Executive Director of Accounting

## Basis for submitting and presenting Financial Statements

**Grupo Financiero Banorte (GFNorte).** Issues consolidated financial statements with its Subsidiaries in accordance with the General Provisions applicable to Financial Groups' Holding Companies which regulates matters that correspond, in tandem, to the National Supervisory Commissions (the Provisions) published in the Official Gazette of the Federation on January 9, 2015.

General Provisions Applicable to Financial Information of the Regulating Agencies of Financial Groups Subject to Supervision by the National Banking and Securities Commission (CNBV) published in the Official Gazette of the Federation on January 31, 2011 and modified on July, 18, 2011 and December 1, 2014. As a result of the norm NIF B10 "Inflation Effects" taking effect and according to INIF 9 "Presentation of comparable financial statements as a consequence of NIF B-10 taking effect"; which mentions that, the economic environment is considered to be non-inflationary, when the last three years' accumulated inflation is less than 26%. In this context, it is not necessary to re-express financial statements as of January 2008.

**Consolidated Bank.** Issues consolidated financial statements with its subsidiaries in conformity with the General Provisions for Financial Information of Credit Institutions in effect as published on December 2, 2005 and modified on March 3 and 28, September 15, December 6 and 8, 2006, January 12, March 23, April 26, November 5, 2007, March 10, August 22, September 19, October 14, December 4, 2008, April 27, May 28, June 11, August 12, October 16, November 9, 2009, December 1 and 24, 2009, January 27, February 10, April 9 and 15, May 17, June 28, July 29, August 19, September 9 and 28, October 25, November 26, December 20, 2010, January 24 and 27, March 4, April 21, July 5, August 3 and 12, September 30, October 5 and 27, December 28, 2011, June 19, July 5, October 23, November 28, December 13, 2012, January 31, April 16, May 3, June 3 and 24, July 12, October 2, December 24, 2013, January 7 and 31, March 26, May 12 and 19, July 3 and 31, September 24, October 30, December 8 and 31, 2014, January 9, February 5, April 30, May 2 and June 23, 2015, August 27, September 21, October 29, November 9 and 13, December 16 and 31, 2015, April 7 and 28, June 22, July 7 and 29, August 1 and September 19 and 28, December 27, 2016, and January 6, April 4 and 27, May 31, June 26 and July 4, 2017, respectively.

**GFNorte and Banorte.** The financial information contained in this document has been developed according to the regulations issued by the CNBV for the regulating agency and the financial entities that make up the Financial Group and to Norms of Financial Information (Normas de Informacion Financiera NIF), issued by the Mexican Council of Financial Information Norms, A.C. (CINF). Such regulations of CNBV and NIF differ given the specialized operations of Credit Institutions. Moreover, there is a difference in the Generally Accepted Accounting Principles of the United States (US GAAP) and the regulations and principles established by the American authorities for this kind of financial entities. In order to present the information contained herein in an international format, the classification format and the presentation of certain financial information differ from the format used for the financial information published in Mexico.

The information contained in this document is based on non-audited financial information of each of the entities to which it refers.